

## EXHIBIT 1 – ADMINISTRATIVE DOCUMENT

2018 Cost of Service

Westario Power Inc.  
EB-2017-0084

## 1.1 TABLE OF CONTENTS

### 1.1.1 TABLE OF CONTENTS

<b>1.1 Table of Contents .....</b>	<b>2</b>
1.1.1 Table of Contents .....	2
<b>1.2 Executive Summary .....</b>	<b>7</b>
1.2.1 Introduction .....	7
1.2.2 Business Plan .....	13
<b>1.3 Administrative.....</b>	<b>14</b>
1.3.1 Contact Information .....	14
1.3.2 Confirmation of Internet Address .....	15
1.3.3 Statement of Publication .....	15
1.3.4 Legal Application .....	16
1.3.5 Bill Impacts.....	18
1.3.6 Statement as to the Form of Hearing Requested .....	18
1.3.7 Proposed Issues List .....	19
1.3.8 Statement of Deviation of Filing Requirements.....	22
1.3.9 Changes in Methodologies.....	22
1.3.10 Board Directive from Previous Decisions.....	22
1.3.11 Conditions of Service.....	23

1	1.3.12 Accounting Standards for Regulatory and	
2	Financial Reporting.....	23
3	1.3.13 Accounting Treatment of Non-Utility Related	
4	Business .....	26
5	1.3.14 Operating Environment .....	26
6	1.3.15 Corporate Organization.....	28
7	<b>1.4 Distribution System Overview .....</b>	<b>31</b>
8	1.4.1 Applicant Overview.....	31
9	1.4.2 Host /Embedded Distributor.....	35
10	1.4.3 Transmission or High Voltage Assets .....	35
11	<b>1.5 Application Summary.....</b>	<b>35</b>
12	<b>1.6 Materiality Threshold.....</b>	<b>57</b>
13	<b>1.7 Customer Engagement .....</b>	<b>58</b>
14	1.7.1 Overview of Customer Engagement .....	58
15	1.7.2 Publications .....	61
16	1.7.3 Meetings and Advertisements.....	62
17	1.7.4 Community Involvement .....	63
18	1.7.5 Social Services.....	64
19	1.7.6 Other Engagement Activities .....	64
20	<b>1.8 Letters of Comment.....</b>	<b>67</b>

---

1	<b>1.9 Scorecard Analysis.....</b>	<b>67</b>
2	1.9.1 Scorecard Results and Analysis .....	67
3	<b>1.10 Financial Information.....</b>	<b>70</b>
4	1.10.1 Financial Results .....	70
5	1.10.2 Rate Base and Revenue Deficiency .....	71
6	1.10.3 Historical Financial Statements.....	75
7	1.10.4 Reconciliation between Financial Statements and	
8	Results Filed .....	75
9	1.10.5 Annual Report .....	75
10	1.10.6 Prospectus and Recent Debt/Share Issuance	
11	Update.....	75
12	1.10.7 Other Relevant Information .....	76
13	<b>Distributor Consolidation .....</b>	<b>76</b>
14	Consolidation.....	76
15	<b>Appendices .....</b>	<b>76</b>
16		
17		



## Table of Figure

1		
2	Table 1 – Summary of Staff Turnover.....	8
3	Table 2 – WPI Newspapers.....	15
4	Table 3 – Bill Impacts.....	18
5	Table 4 – Impacts to Revenue Requirement from Transition to MIFRS – Appendix.....	24
6	Table 5 – Organizational Chart.....	29
7	Table 6 – Map of the Service Area.....	32
8	Table 7 – WPI Predecessor Utilities.....	34
9	Table 8 – Utility Characteristics.....	34
10	Table 9 - 2018 Proposed Revenue Requirements.....	39
11	Table 10 – Rate Base.....	41
12	Table 11 - Working Capital Allowance.....	42
13	Table 12 - Capital Expenditure Summary.....	43
14	Table 13 - Summary of Recoverable OM&A Expenses.....	45
15	Table 14 – Recoverable OM&A Cost Driver Table – Appendix 2-JB.....	46
16	Table 15 – Employee Costs.....	47
17	Table 16 - Load Forecast.....	50
18	Table 17 – Overview of Capital Structure.....	51
19	Table 18: Proposed Allocation.....	53
20	Table 19: Proposed Rates.....	54

---

1	Table 20 – Account and Balances sought for disposition/recovery.....	55
2	Table 21 – Total Bill Impacts .....	57
3	Table 22 – OEB Appendix 2 – AC .....	59
4	Table 23 – Financial Results.....	71
5	Table 24 – Revenue Deficiency .....	73
6	Table 25 - 2018 Proposed Revenue Requirements.....	74
7		

## 1.2 EXECUTIVE SUMMARY

### 1.2.1 INTRODUCTION

The electrical distribution industry continues to be constantly changing with new challenges and opportunities frequently presenting themselves to businesses operating in the sector. Every responsibility centre of Westario Power Inc. (WPI) has been touched by an industry in transition that embraces evolving societal needs and expectations.

WPI continues to strive to improve in all areas of the business with customer focus and value in mind. WPI serves over 720 customers per employee and consistently exceeds Ontario Energy Board standards for customer service. As well a strong financial base continues to support continued customer and shareholder value.

WPI is building on its strengths and laying the foundation for future success. This effort will help to shape a re-vitalized utility that is facing the challenges of an evolving electricity industry head-on.

In the period since its last Cost of Service Application WPI has faced challenges with respect to labour relations and significant staff and management turnover. During this time WPI faced issues with understaffing and periods of prolonged vacancies. The following table indicate the staff turnover between 2013 and 2017 at WPI:

**Table 1 – Summary of Staff Turnover**

Management					
	2013	2014	2015	2016	2017
Opening Balance	7	9	7	9	6
Hired	2	2	5	2	3
Vacated	-	-4	-3	-5	-1
Closing Balance	9	7	9	6	8
Trades					
	2013	2014	2015	2016	2017
Opening Balance	7	9	8	9	9
Hired	3	1	2	1	1
Vacated	-1	-2	-1	-1	-
Closing Balance	9	8	9	9	10
Office					
	2013	2014	2015	2016	2017
Opening Balance	16	16	15	15	15
Hired	-	3	1	1	3
Vacated	-	-4	-1	-1	-2
Closing Balance	16	15	15	15	16
Total					
	2013	2014	2015	2016	2017
Opening Balance	30	34	30	33	30
Hired	5	6	8	4	7
Vacated	-1	-10	-5	-7	-3
Closing Balance	34	30	33	30	34

Staffing issues have created challenges in program management which has resulted in issues with completing all forecasted work. WPI's challenges with staff turnover has caused WPI to increase its focus on staff retention and succession planning going forward.

WPI is balancing its financial needs required to support the assets, technology and the human resources required to make them work in conjunction with our customers' need for value. WPI's culture of organizational excellence challenges its employees to innovate and excel, and to do so in ways that add value for our customers.

### **Fostering Innovation - Building Partnerships**

WPI is aware of its responsibility to align its business priorities, plans and goals with the communities it serves.

As the operating landscape changes, collaboration and cooperation have become increasingly important and the consideration given to them significantly influences the way WPI approaches

key aspects of its business. The Chairman of the WPI Board of Directors has visited each Shareholder's municipality to meet with key officials to open communication channels and to advise them of the partnerships WPI wishes to foster in order to understand such things as common prospects for enhanced planning with respect to growth.

### **Rebuild, Renew, and Respond**

WPI is focused on maintaining its high performance levels in all aspects of its operation and planning activities to comply with its regulatory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA).

At the core of WPI's mandate is the responsibility to deliver a trusted source of safe, efficient, and reliable power to its existing customers and to support growth and accommodate economic development in the communities it serves. Critical to the mandate's success is the ongoing maintenance and construction programs that will ensure the long-term integrity and sustainability of the distribution system.

### **Inspiring Leadership, New Ideas and a Safe Workplace**

Motivation and inspiration are key components to providing an environment where employees are able to excel. WPI puts significant emphasis on professional development, staff wellness, ergonomics, effective internal communications, and a variety of initiatives that foster a rewarding work environment. Professional development programs continue to receive top priority across all aspects of the operation.

With an aging workforce and increasing shortage in skilled trades, the LDC sector faces a formidable challenge. To tackle this industry-wide challenge, WPI's Human Resources Succession Plan lays a framework to optimize skills development for all WPI employees through the next decade. Succession planning for mid-and longer term retirements is supported through ongoing training and development programs which help maintain the workforce the company needs, today and in the future.

## 1 **Keeping the Focus on the Path Forward**

2 Over the past five years, WPI has focused on pursuing a progressive path forward for the  
3 company by;

- 4 1. accommodating new and cutting-edge technologies,
- 5 2. adopting new ways of communicating and engaging customers,
- 6 3. tackling the demands and challenges of maintaining a satisfied and skilled  
7 workforce,
- 8 4. championing the importance of safe electrical practices,
- 9 5. promoting a culture of conservation and delivering CDM programs to all  
10 customer classes,
- 11 6. providing leadership and corporate responsibility within the communities served  
12 and,
- 13 7. adapting to an industry and regulatory environment that remains in transition.

14 On October 18, 2012, the Ontario Energy Board ("The Board") issued its "Report of the Board: A  
15 Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach",  
16 and subsequently commenced implementation of the Renewed Regulatory Framework in which,  
17 the Board identified four key areas of focus that will be reflected in ongoing performance  
18 monitoring of distribution companies:

19 **Customer Focus:** ensuring services are provided in a manner that responds to identified  
20 customer preferences;

21 **Operational Effectiveness:** facilitating continuous improvement in productivity and cost  
22 performance; and ensuring utilities respond effectively to system reliability and quality  
23 objectives;

24 **Public Policy Responsiveness:** ensuring utilities deliver on obligations mandated by  
25 government (e.g., in legislation and in regulatory requirements imposed in relation to Ministerial  
26 directives to the Board, such as renewable energy connections); and

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**Financial Performance:** ensuring that the financial viability of the sector is maintained; and that savings from operational effectiveness are sustainable.

The Renewed Regulatory Framework for Electricity (RRFE) is intended to establish principles and practices for performance-outcome-based regulation that will be better suited to the current circumstances and more flexible for regulated entities and stakeholders. Although the Board is highly focused on fostering economic efficiency, the regulator is also responsible for facilitating the achievement of public policy objectives. Currently those objectives include the connection of renewables, the implementation of a smart grid, and the furtherance of conservation and demand management (CDM).

In order to achieve these outcomes the Board has set out new rate-setting models that emphasize fundamental principles of responsible asset management - coordinated, longer-term optimized planning, a common set of performance expectations, and benchmarking.

As part of the new framework, the Board is looking for integrated plans that span a minimum of five years and that consider network sustainment, expansion, smart grid investment and renewable connections.

With the above in mind, WPI has developed this cost of service application, which incorporates its understanding, as conveyed by stakeholders, of the needs and expectations of its customers and therefore, ultimately, its provision of services.

The application consists of the following Exhibits and Excel live models in support of the evidence presented:<sup>1</sup>

1. Exhibit 1: Administrative Documents
2. Exhibit 2: Rate Base and DSP

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<sup>1</sup> Table of Contents listing major sections and subsections of the application. Electronic version of application appropriately bookmarked to provide direct access to each section

1	3.	Exhibit 3: Revenues
2	4.	Exhibit 4: Operation, Maintenance and Administrative Costs
3	5.	Exhibit 5: Cost of Capital
4	6.	Exhibit 6: Revenue Requirement
5	7.	Exhibit 7: Cost Allocation
6	8.	Exhibit 8: Rate Design
7	9.	Exhibit 9: Deferral and Variance Accounts
8		
9	10.	EB-2017-0084 WPI 2011-2014 Final Results Report
10	11.	EB-2017-0084 WPI 2011-2015 LDC CDM Program Persistence Results
11	12.	EB-2017-0084 Westario Power Inc 2018 Benchmarking Forecast Model
12	13.	EB-2017-0084 Westario Power Inc 2018 Cost Allocation
13	14.	EB-2017-0084 Westario Power Inc 2018 LRAMVA Workform
14	15.	EB-2017-0084 Westario Power Inc 2018 PILs Workform
15	16.	EB-2017-0084 Westario Power Inc 2018 Rev Req Workform
16	17.	EB-2017-0084 Westario Power Inc 2018 RTSR Workform
17	18.	EB-2017-0084 Westario Power Inc 2018 Tarriff Schedule and Bill Impact Model
18	19.	EB-2017-0084 WPI Final Verified 2016 Annual LDC CDM Program Results
19	20.	EB-2017-0084 WPI Final 2015 Annual Verified Results
20	21.	EB-2017-0084 WPI GA Analysis Workform
21	22.	EB-2017-0084 Westario Power Inc 2018 Load Forecast Model
22	23.	EB-2017-0084 Westario Power Inc 2018 Update Demand Data
23	24.	EB-2017-0084 Westario Power Inc 2018 COS Checklist
24	25.	EB-2017-0084 Westario Power Inc 2018 DVA Continuity Schedule



1           26.     EB-2017-0084 Westario Power Inc 2018 Chapter 2 Appendices<sup>2</sup>

2     1.2.2 BUSINESS PLAN<sup>3</sup>

3     In compliance with the Rates Handbook issued on October 13, 2016, the utility is pleased to  
4     present its 2018 Business Plan in Appendix A of this exhibit.

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<sup>2</sup> Chapter 2 appendices in live Microsoft Excel format; PDF and Excel copy of current tariff sheet

<sup>3</sup> Summary identifying key elements of the proposals and the Business Plan underpinning application, as guided by the Rate Handbook including plain language information about its goals

## 1.3 ADMINISTRATIVE

### 1.3.1 CONTACT INFORMATION<sup>4</sup>

Application contact information is as follows:

Applicants Name:	Westario Power Inc.
Applicants Address:	24 Eastridge Road
	RR 2
	Walkerton, ON
	N0G 2V0
Applicants Contacts:	Malcolm McCallum, CPA
	CFO
	Email: malcolm.mccallum@westario.com
	Phone: 519-507-6666 x-211
	Fax: 519-507-6777
Applicants Counsel:	Mr. Michael Buonaguro <sup>5</sup>
	24 Humber Trail
	Toronto, Ontario
	M6S 4C1
	Email: mrb@mrb-law.com
	Phone: 416-767-1666
	Fax: 416-767-1666

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<sup>4</sup> Primary contact information (name, address, phone, fax, email)

<sup>5</sup> Identification of legal (or other) representation

### 1.3.2 CONFIRMATION OF INTERNET ADDRESS<sup>6</sup>

WPI's website address is [www.westario.com](http://www.westario.com). WPI's twitter name is @WestarioPower and Facebook page can be found by searching for Westario Power on facebook.

### 1.3.3 STATEMENT OF PUBLICATION<sup>7</sup>

All of WPI's customers will be affected by this application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in local communities newspapers with circulation that includes areas within its widely diffused service area. Table 2 below displays the newspapers that will be used:

**Table 2 – WPI Newspapers**

Publication	Distribution	Circulation	Paid Subscription
Town Crier	Mildmay, Walkerton, Teeswater, Hanover	1,800	Yes
The Post	Neustadt, Hanover, Ayton, Walkerton, Elmwood, Formosa, Mildmay, Cargill, Chepstow, Chesley	7,710	Yes
Kincardine Independent	Kincardine, Tiverton, Ripley, Lucknow, Port Elgin, Southampton	2,500	Yes
Wingham Advance Times	Wingham	2,500	Yes
Minto Express	Harriston, Palmerston, Clifford	4,036	Yes
Shoreline Beacon	Port Elgin, Southampton, Tiverton, Allenford, Tara, Paisley	2,600	Yes
Kincardine News	Kincardine, Point Clark, Ripley, Tiverton, Underwood, Hollyrood	6,100	Yes

Once the Notice of Application and Hearing has been published in the above listed newspapers, WPI will file an Affidavit of Publication.

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<sup>6</sup> Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers

<sup>7</sup> Statement identifying where notice should be published and why.

#### 1.3.4 LEGAL APPLICATION

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Westario Power Inc. for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1, 2018.<sup>8</sup>

WPI (or the "Company" or the "Applicant") is a distributor of electricity pursuant to a distribution license ED-2002-0515 issued by the Ontario Energy Board (the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

This Application is made in accordance with the Board's Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications dated July 20, 2017. WPI accordingly applies to the Board for the following Order or Orders:

1. Approval to charge distribution rates effective January 1, 2018 to recover a service revenue requirement of \$11,302,113 which includes a revenue deficiency of \$1,058,716 using the service revenue requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2. Approval of the Distribution System Plan as outlined in Exhibit 2, Section 2.5.2.
3. Approval of a revised MicroFit monthly service charge as outlined in Exhibits 3 and 8.
4. Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.
5. Approval of the proposed loss factors as detailed in Exhibit 8.
6. Approval of the rate riders for a one-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.

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<sup>8</sup> Requested effective date

7. Approval to dispose of the balance in the LRAM Variance Account as presented in Exhibit 9.

8. Such other approvals that WPI may request and that the OEB accepts.

A full list of approvals is presented in PDF format at Appendix G of this Exhibit.<sup>9</sup>

#### **Certification of accuracy and completeness of application**

WPI hereby certifies that the application has been reviewed and approved by the acting CEO of WPI and certifies that the information and evidence presented herein is accurate to the best of the applicant's knowledge.<sup>10</sup> WPI confirms that its Board of Directors has been kept informed throughout the preparation of the budget and application.

#### **Confidential Information**

WPI confirms that the application does not include any confidential information.<sup>11</sup> Information on the calculation of the apprenticeship tax credit has been redacted.

#### **Align rate year with fiscal year**

The Application seeks to align the rate year with the fiscal year, moving rates from May 1 to April 30 for each year to January 1 to December 31 for each year. This application is for rates starting January 1, 2018.<sup>12</sup>

WPI has no special conditions in its license. WPI is an embedded distributor; the adjacent distributor is Hydro One Inc.

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<sup>9</sup> List of approvals requested (and relevant section of the legislation), including accounting orders – PDF copy of Appendix 2-A should be provided.

<sup>10</sup> Certification by a senior officer that the evidence filed is accurate, consistent and complete

<sup>11</sup> Confidential Information - Practice Direction has been followed

<sup>12</sup> Aligning rate year with fiscal year – request for proposed alignment

### 1.3.5 BILL IMPACTS<sup>13</sup>

The 2018 distribution rates proposed by the Applicant will result in overall bill impacts for residential at 750 kWh of 5.39% (TOU) or \$6.03 and GS<50 at 2047 kWh customer classes of 4.61% or \$13.43 as detailed in Table 3 below. A full list of the bill impacts applicable to all customer classes is found in Exhibit 8.

**Table 3 – Bill Impacts**

Customer Class	2017 Distribution Charge	2018 Proposed Distribution Charge	Dollar Change	% Change	2017 Total Bill	2018 Total Bill	Dollar Change	% Change
Residential	\$32.89	\$38.29	\$5.41	16.43%	\$111.80	\$117.83	\$6.03	5.39%
GS<50	\$64.93	\$77.03	\$12.09	18.62%	\$291.39	\$304.82	\$13.43	4.61%
GS>50	\$520.66	\$968.48	\$968.48	86.01%	\$8,251.31	\$8,789.71	\$538.41	6.53%
USL	\$17.56	\$21.13	\$3.57	20.31%	\$64.98	\$69.17	\$4.19	6.44%
Sentinel Lighting	\$18.45	\$22.42	\$3.97	21.54%	\$44.77	\$49.29	\$4.52	10.10%
Streetlights	\$3,564.32	\$3,008.96	(\$555.36)	(15.58%)	\$5,912.34	\$5,294.67	(\$617.67)	(10.45%)

There are no customers materially affected by this application<sup>14</sup>

### 1.3.6 STATEMENT AS TO THE FORM OF HEARING REQUESTED<sup>15</sup>

This Application is supported by written evidence. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on the Application.

WPI requests that, pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing in an effort to minimize costs but

<sup>13</sup> Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice; proposed bill impacts based on alternative consumption profiles and customer groups as appropriate given consumption patterns of a distributors customers

<sup>14</sup> Statement identifying customers materially affected by the application including any change to any rate or charge and specific statement of what individual customer or customer groups would be affected by the proposed change

<sup>15</sup> Form of hearing requested and why

understands that if certain issues remain unsettled post settlement, the utility may be asked to participate in an oral hearing.

### 1.3.7 PROPOSED ISSUES LIST

In establishing the overall appropriateness of the proposed rates, WPI anticipates that the following issues will be addressed by the Board and interveners.

#### **Capital**

Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriately and adequately explained, giving due consideration to:

1. customer feedback and preferences
2. productivity
3. benchmarking of costs
4. reliability and service quality
5. impact on distribution rates
6. trade-offs with OM&A spending
7. government-mandated obligations, and
8. the objectives of the Applicant and its customers.

#### **OM&A**

Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:

1. customer feedback and preferences
2. productivity
3. benchmarking of costs
4. reliability and service quality
5. impact on distribution rates

- 1           6.       trade-offs with capital spending
- 2           7.       government-mandated obligations, and
- 3           8.       the objectives of the Applicant and its customers.
- 4



## **Revenue Requirement**

1. Are all elements of the Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?
2. Has the Revenue Requirement been accurately determined based on these elements?

## **Load Forecast, Cost Allocation, and Rate Design**

1. Are the proposed load and customer forecast, loss factors, CDM adjustments and resulting billing determinants appropriate, and, to the extent applicable, are they an appropriate reflection of the number and energy and demand requirements of the applicant's customers?
2. Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?
3. Are the applicant's proposals, including the proposed fixed/variable splits, for rate design appropriate?
4. Are the proposed Retail Transmission Service Rates and Low Voltage Service Rates appropriate?

## **Accounting**

1. Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
2. Are the applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, and the continuation of existing accounts appropriate?

## **Other**

Is the proposed MicroFit rate appropriate?

### 1.3.8 STATEMENT OF DEVIATION OF FILING REQUIREMENTS<sup>16</sup>

Except where specifically identified in the Application, WPI followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated July 18, 2014 (the "Filing Requirements") in order to prepare this application. The excel version of the complete 2018 Cost of Service checklist is being filed in conjunction with this application.

### 1.3.9 CHANGES IN METHODOLOGIES<sup>17</sup>

The pro-forma projections for the 2018 test year were prepared in accordance with WPI's usual process, including the directives and assumptions with the following exceptions:

1. Rates for Distribution and Sales of Electricity are assumed to be constant for the entire calendar year.
2. Amortization reflects the half-year rule for capital additions.
3. Indirect capital costs are now expensed due to the transition to International Financial Reporting Standard.

### 1.3.10 BOARD DIRECTIVE FROM PREVIOUS DECISIONS<sup>18</sup>

At the date of this submission, WPI is not aware of any Board Directives from any previous Board Decisions and/or Orders that require addressing in this Application.

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<sup>16</sup> Statement identifying all deviations from Filing Requirements; identify concerns with models or changes to models

<sup>17</sup> Statement identifying and describing any changes to methodologies used vs previous applications

<sup>18</sup> Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)

### 1.3.11 CONDITIONS OF SERVICE<sup>19</sup>

The Conditions of Service for WPI can be found on our website at  
<http://westario.com/residential/rates-conditions/>

### 1.3.12 ACCOUNTING STANDARDS FOR REGULATORY AND FINANCIAL REPORTING

#### **Changes in Tax Status<sup>20</sup>**

WPI is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application.

#### **Existing/Proposed Accounting Orders**

The Accounting Standard Board ("AcSB") deferred mandatory adoption of IFRS for qualifying rate-regulated entities to January 1, 2016. However, per the Board's letter of July 17, 2013, electricity distributors electing to remain on CGAAP were required to implement regulatory accounting changes for depreciation expenses and capitalization policies by January 1, 2013.

WPI confirms it implemented the regulatory accounting changes for depreciation and overhead capitalization in 2013. In 2015 WPI converted to IFRS; accordingly WPI has prepared its 2018 Cost of Service application on an IFRS basis.

#### **Accounting Standard used in Application<sup>21</sup>**

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<sup>19</sup> Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are Any change in tax status changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided

<sup>20</sup> Any change in tax status

<sup>21</sup> State accounting standard(s) used in historical, bridge and test years. Provide a summary of changes to its accounting policies made since the applicant's last cost of service filing. Identify all material changes or confirm no material changes in the adoption of IFRS. Appendix 2-Y

In accordance with the Filing Requirements, WPI has provided information for the historic years using the CGAAP method of presentation for 2013 and 2014 and MIFRS for 2015 AND 2016. WPI has provided the 2017 Bridge Year based on MIFRS and the 2018 Test Year is presented on an MIFRS basis.

WPI has made the required changes to the capitalization policy, including overhead costs, details with respect to these changes are provided in Exhibit 2 and Exhibit 4. Details with respect to the useful lives applied to capital assets and the resulting impact on depreciation, are provided in Exhibit 4. Table 4 below shows the impacts to revenue requirements from the transition to MIFRS.

**Table 4 – Impacts to Revenue Requirement from Transition to MIFRS – Appendix 2-Y**

<b>Revenue Requirement Component</b>	<b>MIFRS</b>	<b>NEWCGAAP</b>	<b>Reasons why the revenue requirement is different under MIFRS</b>
Closing NBV 2017	\$45,329,857	\$45,329,857	no change
Closing NBV 2018	\$48,227,215	\$48,227,215	no change
Average NBV	\$46,778,536	\$46,778,536	no change
Working Capital	\$4,753,024	\$4,753,024	
Rate Base	\$51,531,560	\$51,531,560	no change
<b>Return on Rate Base</b>	\$2,919,572	\$2,919,572	no change
OM&A	\$5,961,033	\$5,961,033	no change
Depreciation	\$1,993,885	\$1,993,885	no change
PILs or Income Taxes	\$392,625	\$392,625	no change
Property Taxes	\$35,000	\$35,000	no change
Less: Revenue Offsets	-\$337,674	-\$337,674	no change
Insert description of additional item(s) and new rows if needed.			
<b>Total Base Revenue Requirement</b>	\$10,964,441	\$10,964,441	no change

**Employee Pension and Benefits.**

WPI was required to make changes related to Employee Future Benefits ("EFB") for 2015 forward under IFRS. All of the EFB expense is recorded in OM&A in the Uniform System of Accounts (USoA) 5645. The EFB impact on WPI is not significant.

**Compliance with the Uniform System of Accounts<sup>22</sup>**

WPI has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the USoA in the preparation of this Application.

In 2013 WPI change the useful lives of assets to match the approved rates from the 2013 Cost of Service Application. This was accounted for by amortizing the net book value of the asset at December 31, 2012 over the new remaining useful life of the asset. In 2015 with the conversion to IFRS further adjustments were required to be made to the opening value of assets in order to record them at their fair market value at the time of transition. WPI determined that the best way of determining fair market value was to use the net book value at the time of transition to IFRS. Therefore, at the start of 2015 all accumulated amortization was netted against the gross value of assets in order to bring the assets to their fair market value at that date. Due to the adjustment to useful lives as required by the 2013 Cost of Service Application in 2013 and the adjustment to fair market value as required by the transition to IFRS in 2015 a standard continuity schedule isn't able to accurately account for all of these adjustments and re-calculate amortization expense for any given particular year. WPI attests that it does not and will continue not to capitalize administration and other general overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated February 24, 2010. In making these changes, WPI will continue to ensure that the company is comparable to other distribution utilities in the Province. WPI understands the need for comparability between distribution

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<sup>22</sup> Existing accounting orders and departures from the accounting orders and USoA

1 utilities. WPI has also adopted the various account changes prescribed by the Board in relation  
2 to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions).  
3 Consistent with recent applications to the Board, WPI no longer includes PST in its OM&A cost  
4 estimates. Regulatory costs and the incremental one-time costs have been normalized by  
5 allocating one fifth of that total to the 2018 Test Year.

## 6 **Monthly Billing**

7 Westario Power inc. confirms that it fully implemented monthly billing for all customers prior to  
8 December 31, 2016.

### 9 **1.3.13 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESS<sup>23</sup>**

10 WPI is engaged in the delivery of the Independent Electricity System Operator's ("IESO")  
11 (previously before amalgamation it was the Ontario Power Authority) conservation and demand  
12 management programs. The accounting for these activities is segregated from WPI's rate  
13 regulated activities in accordance with the Board's Accounting Procedures Handbook for  
14 Electricity Distributors.

15 Apart from the above and the sale of electricity to its customers, WPI engages in no other  
16 business activities.

### 17 **1.3.14 OPERATING ENVIRONMENT**

18 WPI is incorporated under the Ontario Business Corporations Act, and on November 1, 2000  
19 Westario Power Holdings Inc. and its affiliates Westario Power Services Inc. and Westario Power  
20 Inc. were incorporated as new business entities. Westario Power is licensed by the OEB to serve  
21 15 communities in Bruce, Grey and Wellington counties: Clifford, Elmwood, Hanover, Harriston,

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<sup>23</sup> Confirmation that accounting treatment of any non-utility business has segregated activities from rate regulated activities

1 Kincardine, Lucknow, Mildmay, Neustadt, Palmerston, Port Elgin, Ripley, Southampton,  
2 Teeswater, Walkerton and Wingham. The total population of the communities served is  
3 approximately 45,000.

4 Hydro One Networks Inc. is the adjacent distributor. Westario Power Inc. is embedded in Hydro  
5 One Network Inc.'s low voltage distribution system.

6 Westario Power Inc. has nine directors who service on its Board of Directors, each Director  
7 representing a shareholder of the corporation.

8 Westario Power Inc. is managed by a Senior Level Executive Team and supporting Managers.  
9 The Board of Directors provides governance and oversight.

10 WPI expects the status quo for the business conditions over the planning horizon of this report  
11 with minimal growth and no shrinkage. There are no known major expansion plans for industrial,  
12 commercial or residential segments of the economy nor are there any known planned closures  
13 in the industrial or commercial segments of the economy. There are ongoing discussions  
14 between the town of Kincardine and EPCOR about making natural gas available to all citizens  
15 however no final confirmation or date has been given regarding the transition and therefore the  
16 potential effects of a transition have not been included in this application. The lack of change in  
17 the economy means that there is no growth based capital work proposed by WPI.

18

### 1.3.15 CORPORATE ORGANIZATION

WPI's current organization chart includes the following positions.<sup>24</sup>

1. 1 President and CEO
2. 1 Executive Assistant, Board Secretary, Human Resource Advisor
3. 1 VP of Operations
4. 1 Planning and Design Coordinator
5. 1 metering technician
6. 2 engineering technicians
7. 1 draft/designer
8. 2 operations clerks
9. 1 Line Superintendent
10. 2 Line Supervisors
11. 2 lead hands
12. 8 power line maintainers
13. 1 Customer Service Manager
14. 1 collections representative
15. 3 customer service representative
16. 2 billings clerks
17. 1 CFO
18. 1 Accounting Supervisor
19. 1 Financial Analyst
20. 3 finance clerks

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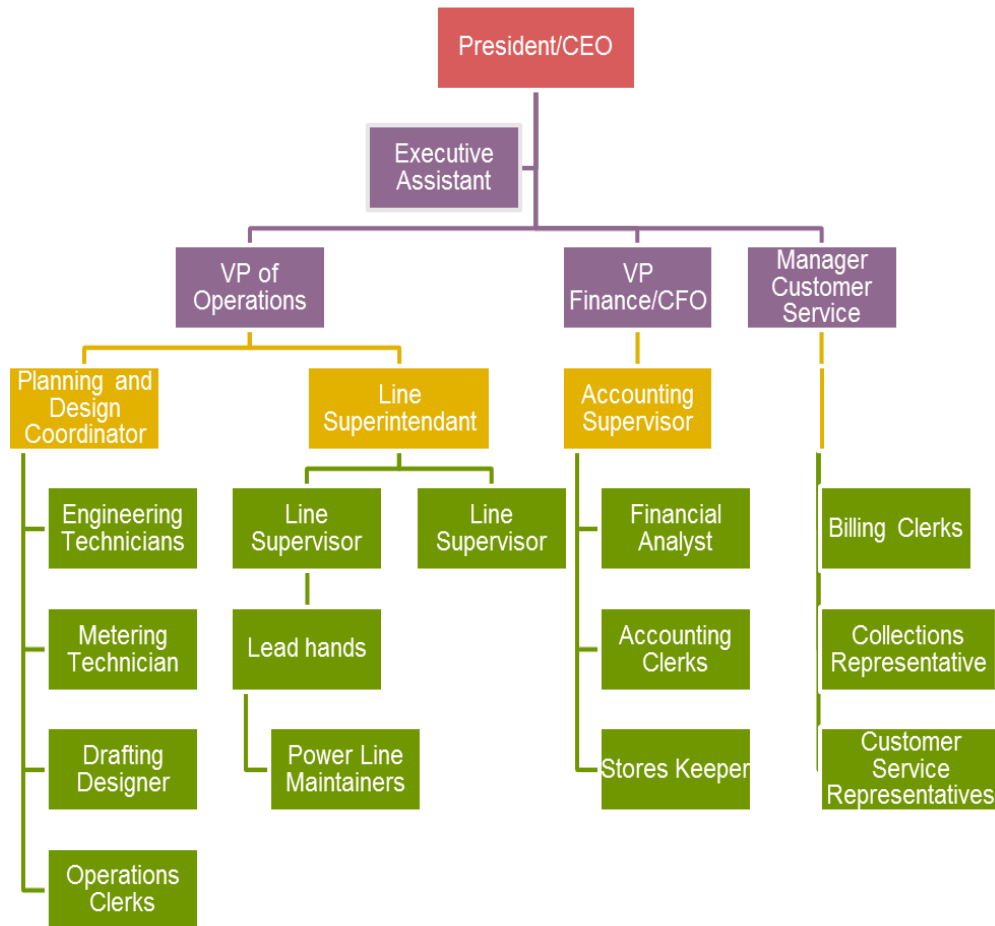
<sup>24</sup> Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control



21. 1 stores keeper/warehouse person

The above relationships are shown in the following Organization Chart.

**Table 5 – Organizational Chart**



The CFO is responsible for all internal and external financial activities of the company including liaison with banks and other financial institutions; providing financial reports to its Shareholder; development of budgets and tracking the company's progress towards achieving approved financial targets and capital investments. He/she is the liaison with regulatory bodies including the OEB; accountants, purchasing and stores; Canada Revenue Agency, IESO and Hydro One, as well as conservation and demand management.

1 The Planning and Design Coordinator is responsible for preparation of plans, cost estimates, and  
2 layouts for new/upgraded service installations; design and cost new expansions.

3 The Line Superintendent, in collaboration with the VP of Operations, oversees the operation of  
4 the distribution system. The Line Superintendent, is responsible for ensuring that employees,  
5 contractors and public remain safe when interfacing with the distribution system; ensuring the  
6 reliable operation – including maintenance and repair – of the distribution system and general  
7 plant; and ensuring that customer requests for electricity service are provided promptly and  
8 according to code.

9 The linemen are responsible for building and maintaining the electrical power system from the  
10 point of generation all the way to the customer's meters. Lines may be on overhead structures  
11 or in underground vaults or trenches. Locations may be in rural and metropolitan areas. This  
12 position typically requires trade certification or enrollment in an apprenticeship program.

13 The Manager of Customer Service is responsible for customer service, billing, and collections  
14 and metering.

15 The Executive Assistant is responsible for providing human resource support including salary  
16 and benefit services; maintaining effective communications throughout the company; and  
17 ensuring that operations and office staff have access to the highest quality information and  
18 training to allow them to perform their work safely and efficiently. This position is the focal point  
19 for communication with the Board of Directors.

## 1.4 DISTRIBUTION SYSTEM OVERVIEW

### 1.4.1 APPLICANT OVERVIEW

The Applicant is Westario Power Inc. and is a corporation incorporated pursuant to the Business Corporations Act (Ontario) with its head office in the Walkerton. The Applicant carries on the business of distributing electricity to several communities from the operation located in Walkerton.

**Name of distributor:** Westario Power Inc.

**License number:** ED-2002-0515

**Communities served:** Westario Power serves 15 communities in Bruce, Grey and Wellington counties: Clifford, Elmwood, Hanover, Harriston, Kincardine, Lucknow, Mildmay, Neustadt, Palmerston, Port Elgin, Ripley, Southampton, Teeswater, Walkerton and Wingham.

**Adjacent distributors:** Hydro One Networks Inc.

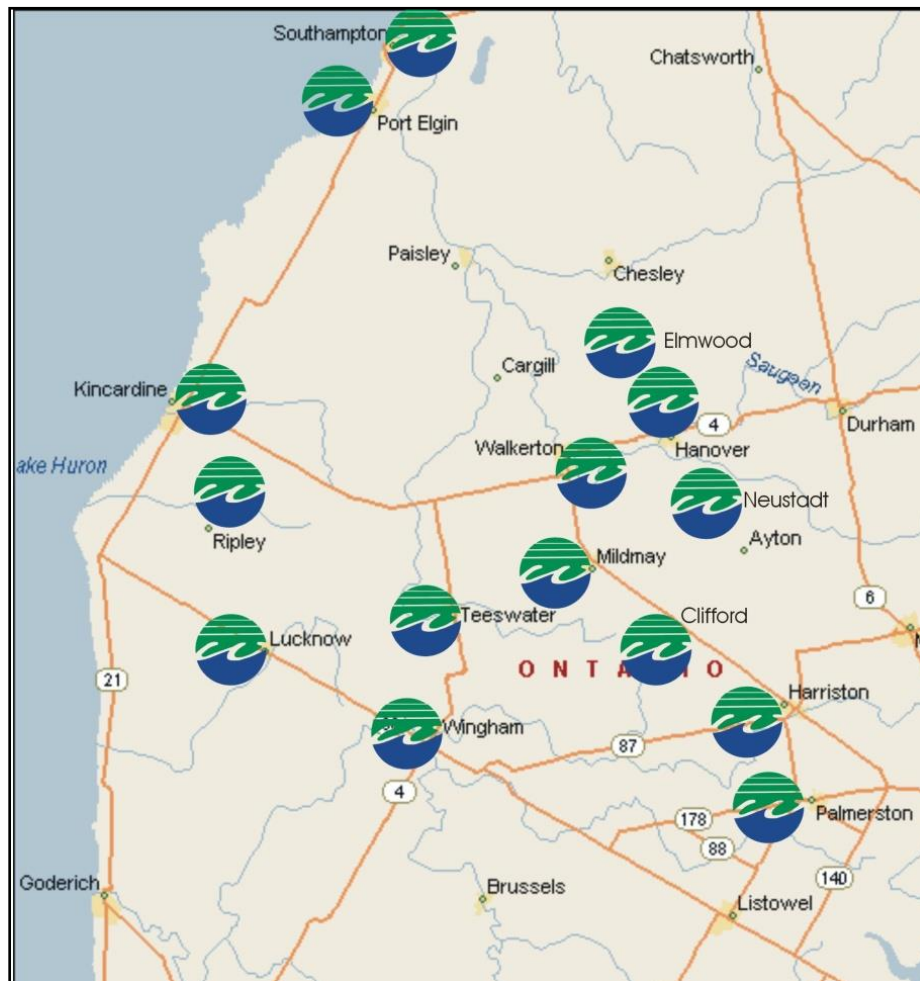
**Characteristics:** Large non-contiguous service area (80 x 60 km) consisting of 15 urban communities in three counties with Hydro One Networks Inc. serving the interurban Areas.<sup>25</sup> The map below shows the 15 communities that Westario Power Inc. operates in the Bruce, Grey and Wellington counties.

---

<sup>25</sup> Description of Service Area (including map, communities served)

1

**Table 6 – Map of the Service Area**



2

3

4 **Embedded/Host:**

Westario Power is embedded in Hydro One Network Inc.'s  
low voltage distribution system<sup>26</sup>.

5

6

7 **Mailing address:**

24 Eastridge Road RR#2

<sup>26</sup> Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW

Walkerton, ON N0G 2V0

**Key contacts:**

Malcolm McCallum, VP Finance and CFO, 519-507-6666, ext.  
211, E-mail: [malcolm.mccallum@westario.com](mailto:malcolm.mccallum@westario.com)

**Westario Power Formation**

On November 1, 2000 Westario Power Holdings Inc. and its affiliates Westario Power Services Inc. and Westario Power Inc. were incorporated as new business entities. The shareholders of Westario Power Holdings Inc. were:

1. The Town of Saugeen Shores	24.98%
2. The Town of Hanover	15.09%
3. The Municipality of Kincardine	13.48%
4. The Municipality of Brockton	12.61%
5. Fortis Ontario Inc.	9.99%
6. The Town of Minto	9.28%
7. The Township of North Huron	7.71%
8. The Municipality of South Bruce	3.67%
9. The Township of Huron-Kinloss	3.19%

The corporation was comprised of the following corporate entities:

10. Westario Power Holdings Inc.	Holding Company
11. Westario Power Inc.	Local Distribution Company (LDC)
12. Westario Power Services Inc.	Services Company

In 2007, Westario Power Holdings Inc. applied to the Ontario Energy Board (OEB) to amalgamate Westario Power Inc. and Westario Power Services Inc. into Westario Power Holdings Inc. and then renamed the resulting company as Westario Power Inc. This would consolidate the three companies into a single LDC, performing only distribution services in accordance with its distribution licence.

1 OEB approval was received on July 17, 2007, and the amalgamation occurred on January 1, 2008.

## 2 **Predecessor Utilities**

3 The service territories currently supplied by Westario Power were previously served by eight  
4 municipal entities. Table 7 below lists the service territories supplied by the predecessor utilities  
5 and the number of customers they served.

6 **Table 7 – WPI Predecessor Utilities**

<b>Municipal Entity</b>	<b>Predecessor Utility Service Area</b>	<b>November 2000 Customer Count</b>
The Township of Huron-Kinloss	Village of Ripley Village of Lucknow	1,200
The Municipality of Kincardine	Kincardine (Ward 1)	3,098
The Municipality of South Bruce	Village of Mildmay Village of Teeswater	1,094
The Town of Saugeen Shores	Town of Port Elgin Town of Southampton	5,293
The Township of North Huron	Town of Wingham	1,484
The Municipality of Brockton	Town of Walkerton Village of Elmwood	2,367
The Town of Hanover	Town of Hanover Village of Neustadt	3,283
The Town of Minto	Village of Clifford Town of Harriston Town of Palmerston	2,360

7  
8 **Table 8 – Utility Characteristics**

Total Urban Service Area (sq. km.)	64.00
Utility winter max monthly peak load (kW) with embedded generation	69,686.00
Utility winter max monthly peak load (kW) without embedded generation	75,257.00
Utility summer max monthly peak load (kW) with embedded generation	71,203.00
Utility summer max monthly peak load (kW) without embedded generation	76,744.00
Average peak load with embedded	67,889.00
Average peak load without embedded	69,406.00
Average load factor with embedded	76.75%
Average load factor without embedded	75.23%
Overhead circuit kilometers of line	378.35
Underground circuit kilometers of line	152.82
Total circuit kilometers of line	531.17

Circuit kilometers of – 3 Phase	314.00
Circuit kilometers of – 2 Phase	2.045
Circuit kilometers of – Single Phase	215.00
Number of distribution stations	27
Number of transformers <50 kV at stations classified as <50kV	29

1

## 2 1.4.2 HOST /EMBEDDED DISTRIBUTOR

3 WPI is an embedded distributor who receives electricity at distribution level voltages from Hydro  
4 One Networks Inc. WPI does not have any embedded distributors within its territory.

## 5 1.4.3 TRANSMISSION OR HIGH VOLTAGE ASSETS<sup>27</sup>

6 The Applicant does not have any transmission or high voltage assets deemed by the Board as  
7 distribution assets and as such are not seeking approvals from the Board in that regards.

## 8 1.5 APPLICATION SUMMARY

9 A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a  
10 company the opportunity to operate profitably and attract capital for future growth.

11 Revenue requirement represents the amount of revenue a regulated utility company must  
12 collect from rates charged consumers to recover the cost of doing business.

13 Periodically, a utility must examine its current and forecasted revenues and expenses to verify  
14 that the total revenue, including interest earnings and miscellaneous income is sufficient to  
15 cover all revenue requirements.

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<sup>27</sup> Statement as to whether or not the distributor has had any transmission or high voltage assets deemed by the OEB as distribution assets and whether or not there are any such assets the distributor is seeking approval for in this application

To remain financially sound, WPI's rates must produce sufficient revenues to cover the cost of providing electric service and to permit the continued replacement and expansion of its facilities. These expenditures, referred to as "revenue requirements" consist of normal operating expenses, capital improvements and additions, return on investments and non-operating expenses.

In order to determine the adequacy of the proposed rates, WPI has develop estimates of the annual revenues and revenue requirements for the Test Year of 2018. These estimates serve as the basis for determining the overall level of revenue recovery and provide a foundation for our cost-of-service application.

This executive summary is devoted to defining each element of WPI's 2018 cost-of-service, explaining how each element is computed and explaining the relationship between the various components. The major components covered in this executive summary are as follows;

- ◆ Budgeting Assumptions
- ◆ Revenue Requirement
- ◆ Rate Base and Capital Planning
- ◆ Overview of Operation Maintenance and Administrative Costs
- ◆ Load Forecast Summary
- ◆ Statement of Cost of Capital Parameters
- ◆ Overview of Cost Allocation and Rate Design
- ◆ Overview of Deferral and Variance Account Disposition
- ◆ Overview of Bill Impacts
- ◆ RRFE and Customer Engagement



## 1    **Budgeting and Economic Assumptions<sup>28</sup>**

2    Westario Power Inc compiles budget information for the three major components of the  
3    budgeting process: (1) revenue forecasts; (2) operating, maintenance and administration  
4    ("OM&A"); and (3) capital costs.

### 5    **Revenue Forecast**

6    The revenue forecasts are based on throughput volume and existing rates for the 2017  
7    Bridge Year and Westario Power Inc's proposed rates for the 2018 Test Year. The  
8    forecasted volumes have been weather normalized and consider such factors as new  
9    customer additions and load for all classes of customers. Details are presented in  
10   Section 3.1.4. of Exhibit 3. The forecast has been adjusted to reflect the CDM initiatives  
11   currently undertaken by the applicant.

### 12   **OM&A Costs**

13   OM&A costs presented in Exhibit 4 show Westario Power Inc's maintenance and customer  
14   focused activity needed to meet public and employee objectives. These costs are essential in  
15   order to comply with the Distribution System Code, environmental requirements, and  
16   government direction, and to maintain distribution service quality and reliability at targeted  
17   performance levels. OM&A costs also include providing services to customers connected to  
18   Westario Power Inc's distribution system and meeting the requirements of the OEB's Standard  
19   Supply Code and Retail Settlement Code.

20   The proposed OM&A cost expenditures for the 2018 Test Year are the result of planning and  
21   work prioritization process that ensures that the most appropriate, cost effective solutions are  
22   put in place.

---

<sup>28</sup> Budgeting and Accounting Assumptions - economic overview and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards

## Capital Costs

In managing its capital assets, Westario Power Inc's primary objectives are to optimize asset performance cost-effectively, enhance safety, protect the environment, improve operational efficiency, maintain high standards of reliability, adhere to regulation and meet customer demand. Westario Power Inc develops capital programs on both a short and longer-term basis and prepares annual budgets and forecasts as the basis for capital investments. Westario Power Inc's approach to managing its distribution system is comprised of the following two key strategies:

System Planning; add new assets and/or replace assets that are at or nearing the end of their useful life. This includes consideration for:

1. Capital Investment
2. Contingency Planning
3. Managing and Sustaining Existing Assets;

Westario Power Inc's approach to managing its distribution assets is described in more detail in Westario Power Inc's Distribution System Plan.

Capital costs in Exhibit 2 have been developed with the key strategies above in mind.

## Overall Budgeting Process

The capital and operating budgets are prepared annually by inclusion of all levels of management and other staff and include a review of historical expenditures, an analysis of future prioritized requirements and a calendarization based on financial capacity, risk and need. Budgets are reviewed and approved by the Board of Directors annually. Budget to actual variance analysis is performed regularly by responsibility centre management and amended forecasts are created if required. The Board of Directors are update regularly with the status of budgeted expenditures.

Westario Power Inc's commitment to continuous improvement is also embedded into the overall budgeting process.

WPI expects the status quo for the business conditions over the planning horizon of this report *with some residential growth and* minimal growth in WPI's other rate classes and no shrinkage.

There are no known major expansion plans for industrial, commercial or residential segments of the economy nor are there any known planned closures in the industrial or commercial segments of the economy. The lack of change in the economy means that there is no growth based capital work proposed by WPI.

### Revenue Requirement<sup>29</sup>

Revenue Requirement can be defined as the amount of revenue a utility must collect from rates charged consumers to recover the cost of doing business. These costs include operating and maintenance expenses, depreciation expense, taxes and a reasonable return on the utility's investment. A cost-of-service is a measure of a utility's annual "revenue requirement" that will provide a company the opportunity to operate profitably and attract capital for future growth.

Table 9 below shows WPI's revenue requirement from the last Cost of Service in 2013 to the herein proposed 2018 revenue requirement.

**Table 9 - 2018 Proposed Revenue Requirements**

	CGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Particular</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>OM&amp;A Expenses</i>	\$6,169,200	\$5,709,737	\$5,224,652	\$5,209,186	\$5,731,997	\$5,701,836	\$5,961,033
<i>Depreciation Expense</i>	\$1,343,824	\$2,303,325	\$1,651,950	\$1,780,108	\$1,798,004	\$1,869,669	\$1,993,885
<i>Property Taxes</i>	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,000	\$35,000
<i>Total Distribution Expenses</i>	\$7,546,024	\$8,049,515	\$6,912,306	\$7,023,899	\$7,564,098	\$7,606,505	\$7,989,918

<sup>29</sup> Revenue Requirement - service RR, increase (\$ and %) from change from previously approved, main drivers

<i>Regulated Return On Capital</i>	\$2,781,395	\$2,688,847	\$2,840,824	\$3,022,209	\$3,451,513	\$3,451,513	\$2,919,572
<i>PP&amp;E MIFRS Adjustment</i>	-\$35,724						
<i>Grossed up PILs</i>	\$5,427	\$269,000	-\$5,000	\$226,000	\$243,000	\$507,640	\$392,625
<i>Service Revenue Requirement</i>	\$10,297,122	\$9,337,579	\$9,748,130	\$10,272,108	\$11,258,611	\$11,565,658	\$11,302,115
<i>Less: Revenue Offsets</i>	-\$653,041	-\$559,021	-\$688,960	-\$523,338	-\$485,964	-\$354,051	-\$337,674
<i>Base Revenue Requirement</i>	\$9,644,081	\$10,333,084	\$9,059,170	\$9,748,769	\$10,772,647	\$11,211,607	\$10,964,441

The proposed Revenue Requirement for the 2018 test year of \$10,964,441 reflects an increase of \$1,320,360 or 13.7% higher than the 2013 Board Approved. The revenue requirement between 2013 and 2016 has increased at a rate consistent with inflation plus incremental depreciation representing a deliberate pace of capital investment. The increase in 2017 and 2018 is largely due to an increase in operations and maintenance costs related to a normalization of these expenses after several years of high staff turnover. Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets and explained in detail at Exhibit 3.

### **Rate Base and Capital Planning<sup>30</sup>**

A rate base is the value of property on which a utility is permitted to earn a specified rate of return in accordance with rules set by the OEB. The rate base underlying WPI's revenue requirement includes a forecast of net fixed assets, plus a working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses. Controllable expenses include operations and maintenance, billing and collections and administration expenses.

<sup>30</sup> Rate Base and DSP - major drivers of DSP, rate base for test year, change in rate base from last approved (\$ and %), capital expenditures requested for the test year, change in capital expenditures from last approved (\$ and %), summary of costs requested for renewable energy connections/expansions, smart grid, and regional planning initiatives, any O.Reg 339/09 planned recovery

1 The proposed Rate Base for the 2018 test year of \$51,531,560 reflects an increase of \$9,659,245  
2 from the 2013 Board Approved. The increase suggests a prudent and reasonable investment in  
3 the distribution assets and is necessary in order to meet other regulatory requirements such as  
4 "obligation to connect" new growth and the need to maintain the highest electrical safety  
5 standards. Table 10 below shows the derivation of the proposed 2018 rate base. This increase  
6 represents an average annual increase of 4.6% from 2013 to 2018.

7 The utility is not proposing to recover any costs from any rate class relating to renewable energy  
8 connections/expansions, smart grid, and regional planning initiatives. Table 10 below shows the  
9 change in Rate Base from the last Cost of Service in 2013 to the proposed 2018 Cost of Service.

10

**Table 10 – Rate Base**

	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Particulars</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>Net Capital Assets in Service:</i>							
<i>Opening Balance</i>	33,959,796	31,364,436	37,441,698	40,295,563	42,625,772	45,442,360	45,329,857
<i>Ending Balance</i>	37,220,508	37,441,698	40,295,563	42,625,772	45,442,360	45,329,857	48,227,215
<i>Average Balance</i>	35,590,152	34,403,067	38,868,631	41,460,668	44,034,066	45,386,108	46,778,536
<i>Working Capital Allowance</i>	6,282,163	6,074,549	6,330,904	6,783,843	7,595,348	7,848,730	4,753,024
<i>Total Rate Base</i>	41,872,315	40,477,616	45,199,535	48,244,511	51,629,414	53,234,838	51,531,560

11

12

**Table 11 - Working Capital Allowance**

	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
<i>Expenses for Working Capital</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>Eligible Distribution Expenses:</i>							
<i>3500-Distribution Expenses - Operation</i>	440,000	381,172	278,333	264,131	390,384	419,927	580,760
<i>3550-Distribution Expenses - Maintenance</i>	2,298,000	1,769,218	1,574,688	1,398,823	1,720,696	1,560,909	1,386,773
<i>3650-Billing and Collecting</i>	1,191,000	1,268,735	1,224,007	1,131,494	1,043,796	1,130,000	1,202,000
<i>3700-Community Relations</i>	46,000	11,983	15,351	34,398	29,681	30,000	31,000
<i>3800-Administrative and General Expenses</i>	2,181,700	2,266,129	2,119,773	2,367,840	2,522,440	2,548,000	2,747,500
<i>6105-Taxes other than Income Taxes</i>	33,000	36,453	35,704	34,605	34,097	35,000	35,000
<i>6205-Donations (LEAP)</i>	12,500	12,500	12,500	12,500	25,000	13,000	13,000
<i>Total Eligible Distribution Expenses</i>	6,202,200	5,746,190	5,260,356	5,243,790	5,766,094	5,736,836	5,996,033
<i>3350-Power Supply Expenses</i>	46,149,156	44,875,052	47,497,179	51,288,235	57,528,471	59,669,247	57,377,618
<i>Total Expenses for Working Capital</i>	52,351,356	50,621,242	52,757,535	56,532,025	63,294,565	65,406,083	63,373,651
<i>Working Capital factor</i>	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	7.50%
<i>Total Working Capital</i>	6,282,163	6,074,549	6,330,904	6,783,843	7,595,348	7,848,730	4,753,024

WPI has, for many years, complied with the practices of the electricity distribution industry. This has included adhering to the Ontario Energy Board's (OEB) Distribution System Code that sets out, among others, good utility practice and performance standards for the industry in Ontario, and minimal inspection requirements for distribution equipment. Consistent with practices, over the years WPI has replaced or upgraded equipment when economically viable. The net result has been that while the average age of the system has increased slightly, the reliability of the system has steadily improved to meet the expectations of WPI's customers. This has been achieved with only a moderate long-term increase in customers' bills. Historically, utilities in the Province operated under Canadian Generally Acceptable Accounting Practices (CGAAP) whereby they were granted a depreciation allowance based on an average equipment life of approximately 25 years. As of January 1, 2013, the OEB requires all municipal-owned LDCs to adopt Modified International Financial Reporting Standards (MIFRS) which will only allow a depreciation allowance based on a 40 year average life for equipment. Other regulatory

changes (e.g. decreased allowance for working capital) also reduce the funding available for daily operations. Fortunately, over the past ten years WPI has made considerable investments in its capital program and is in relatively good health.

Regulatory requirements require additional major capital expenditures remain firmly in place (e.g. the "obligation to connect" new growth, the need to maintain the highest electrical safety standards for both the public and employees); the most important of such obligations is to maintain public and employee safety and minimize any increases in its customers' bills.

Details of historical and projected capital expenses are summarized in table 12 below

**Table 12 - Capital Expenditure Summary**

	NEWGAAP 2013	NEWGAAP 2014	MIFRS 2015	MIFRS 2016	MIFRS 2017	MIFRS 2018
<i>System Access</i>	\$715,705	\$808,965	\$888,287	\$839,632	\$980,834	\$983,276
<i>Contributed Capital</i>	-473,674	-394,427	-360,794	-584,438	-340,541	-340,541
<i>Sub-Total System Access</i>	242,031	414,538	527,493	255,194	640,293	642,735
<i>System Renewal</i>	\$2,148,446	\$2,841,278	\$2,409,929	\$3,116,718	\$3,466,353	\$3,231,509
<i>Contributed Capital</i>	0	0	0	0	0	0
<i>Sub-Total System Renewal</i>	2,148,446	2,841,278	2,409,929	3,116,718	3,466,353	3,231,509
<i>System Service</i>	\$3,508,123	\$408,138	\$308,049	\$1,362,195	\$100,000	\$382,000
<i>Contributed Capital</i>	0	0	0	0	0	0
<i>Sub-Total System Service</i>	3,508,123	408,138	308,049	1,362,195	100,000	382,000
<i>General Plant</i>	\$480,015	\$663,247	\$620,228	\$651,394	\$102,800	\$635,000
<i>Contributed Capital</i>	0	0	0	0	0	0
<i>Sub-Total General Plant</i>	480,015	663,247	620,228	651,394	102,800	635,000
<i>Total Capital Expenditures</i>	6,378,616	4,327,200	3,865,698	5,385,500	4,309,446	4,891,244

1 Major capital cost drivers for 2018 are as follows:

2 **System Access**

3	◆ Capital Poles	\$306,742
4	◆ New O/H Service Connections	\$166,129
5	◆ New Underground	
6	Service Connections	\$124,663
7	◆ Non-demarcation Customers	\$45,200

8 **System Service**

9	◆ SCADA	\$282,000
10	◆ Metering	\$30,000
11	◆ Cyme and GIS integration	\$70,000

12

13 **System Renewal**

14	◆ Poletran Conversion	\$463,286
15	◆ Substation Upgrades	\$1,310,000
16	◆ #6 Copper Replacements	\$370,772
17	◆ Decrepit Pole Replacement	\$780,146
18	◆ Distribution Transformer	
19	Replacement	\$307,305

20

21 **General Plant**

22	◆ Technology	\$30,000
23	◆ Vehicle Replacement	\$500,000
24	◆ Tools & Equipment	\$35,000
25	◆ Facilities Enhancements	\$35,000

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1           ♦ Office Furniture and Equipment \$35,000

2 Details of each of these programs are presented in Exhibit 2 as well as the Distribution System  
3 Plan.

#### 4 **Overview of Operation Maintenance and Administrative Costs<sup>31</sup>**

5 The decrease of approximately \$200K in OM&A spending from its 2013 Board Approved Cost of  
6 Service Budget to the 2018 Test Year can be attributed to several factors. Operation and  
7 Maintenance costs are for the most part aimed at WPI's distribution system substations and its  
8 protective equipment, along with general maintenance on overhead and underground assets.  
9 The decreased costs related to operations and maintenance accounts are representative of  
10 historical figures. The increase in administrative costs as projected represents the inclusion of a  
11 full compliment of administrative and executive staff.

12 **Table 13 - Summary of Recoverable OM&A Expenses**

<i>Reporting Basis</i>	<b>CGAAP</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>
	Board Approved	2013	2014	2015	2016	2017	2018
<i>Operations</i>	\$440,000	\$381,172	\$278,333	\$264,131	\$390,384	\$419,927	\$580,760
<i>Maintenance</i>	\$2,298,000	\$1,769,218	\$1,574,688	\$1,398,823	\$1,720,696	\$1,560,909	\$1,386,773
<i>SubTotal</i>	\$2,738,000	\$2,150,390	\$1,853,021	\$1,662,954	\$2,111,080	\$1,980,836	\$1,967,533
<i>%Change (year over year)</i>		-21.5%	-13.8%	-10.3%	26.9%	-6.2%	-0.7%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>							-28.1%
<i>Billing and Collecting</i>	\$1,191,000	\$1,268,735	\$1,224,007	\$1,131,494	\$1,043,796	\$1,130,000	\$1,202,000
<i>Community Relations</i>	\$46,000	\$11,983	\$15,351	\$34,398	\$29,681	\$30,000	\$31,000
<i>Administrative and General+LEAP</i>	\$2,194,200	\$2,278,629	\$2,132,273	\$2,380,340	\$2,547,440	\$2,561,000	\$2,760,500
<i>Non-Recoverable</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Property Taxes</i>	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,000	\$35,000
<i>SubTotal</i>	\$3,464,200	\$3,595,800	\$3,407,335	\$3,580,836	\$3,655,014	\$3,756,000	\$4,028,500

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<sup>31</sup> OM&A Expense - OM&A for test year and change from last approved (\$ and %), summary of drivers, inflation assumed, total compensation for test year and change from last approved (\$ and %).

%Change (year over year)		3.8%	-5.2%	5.1%	2.1%	2.8%	7.3%
%Change (Test Year vs Last Rebasing Year - Actual)						2,596,000.00	16.3%
Total	\$6,202,200	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836	\$5,996,033
%Change (year over year)		-7.4%	-8.5%	-0.3%	10.0%	-0.5%	4.5%

1

## 2 Summary of cost drivers

### 3 Table 14 – Recoverable OM&A Cost Driver Table – Appendix 2-JB

Reporting Basis	Last CoS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
OM&A	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Opening Balance	\$6,202,200	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836
Customer Focus						
Customer Service, Mailing Costs, Billing and Collections, LEAP	-\$71,942	\$70,019	-\$34,025	-\$19,688	\$43,136	\$62,000
Bad Debts	\$11,822	\$87,589	-\$75,936	-\$26,820	\$34,345	\$0
Meter Reading	\$139,367	-\$202,583	\$16,703	-\$11,210	-\$3,277	\$10,000
Operational focus	-\$31,319	-\$662	\$148,872	\$19,698	\$42,411	\$8,500
Operational Effectiveness						
Municipal Transformer Station -operating and maintenance costs	\$75,050	-\$62,258	-\$95,963	\$44,178	-\$17,182	\$17,679
Meters maintenance	-\$1,987	-\$89,999	-\$8,703	\$183,682	-\$147,717	\$11,683
Overhead lines	\$73,656	-\$31,946	-\$39,192	\$117,779	\$149,603	-\$108,466
Distribution Transformers	-\$42,163	\$12,840	-\$2,738	-\$33,478	\$71,950	\$27,589
Services	-\$292,635	-\$19,777	-\$16,825	\$77,824	-\$44,312	\$7,763
Tree trimming	-\$309,569	-\$64,090	\$6,435	\$2,401	-\$99,583	-\$12,699
Underground conduit	-\$51,488	-\$2,987	-\$17,021	\$33,133	\$49,580	-\$66,217
Poles Towers & Fixtures	-\$5,590	-\$26,807	-\$27,864	\$67,241	-\$101,408	\$34,852
Administrative Wages, Financial, Legal, Professional and Insurance Services	\$179,229	-\$101,443	-\$64,228	-\$82,759	\$121,001	\$125,000
IT, software, telecommunications, office supplies	-\$70,476	-\$40,112	\$170,684	\$147,173	-\$94,269	\$10,000
Other	-\$31,372	-\$12,592	\$11,061	-\$27,156	\$8,825	\$59,513
Public and Regulatory Responsiveness						
Regulatory & Compliance	-\$26,593	-\$1,026	\$12,174	\$30,306	-\$42,361	\$72,000
Closing Balance	\$5,746,190	\$5,260,356	\$5,243,790	\$5,766,094	\$5,736,836	\$5,996,033

4

Decrease in OM&A of \$-206,167 from \$6,202,200 in 2013 Board Approved to \$5,996,033 in 2018.

Operations and Maintenance: overall decrease of 770,467 Major drivers include;

- Increase in Overhead Distribution Lines and Feeders - Operation Labour \$ 139,281
- Increase in Overhead Distribution Transformers \$51,000
- Decrease in Underground Distribution Lines and Feeders – Operation Labour \$68,721
- Decrease in Meter Expense \$109,000
- Decrease in Maintenance of Distribution Station Equipment \$63,696
- Decrease in Maintenance of Poles, Towers and Fixtures \$59,576
- Decrease in Maintenance of Overhead Services \$124,000
- Decrease in Maintenance of Vegetation \$477,105
- Decrease in Maintenance of Underground Conduit \$115,000
- Increase in Maintenance of Underground Conductors and Devices \$60,000
- Decrease in Maintenance of Underground Services \$163,962
- Decrease in Maintenance of Line Transformers \$55,000
- Increase in Maintenance of Meters \$55,959

Administrative and General: overall increase of \$566,300. Major drivers include;

- Increase in Executive Salaries and Expenses of \$225,000
- Decrease in Management Salaries and Expenses of \$184,000
- Increase in General Administrative Salaries and Expenses of \$145,000
- Increase in Office Supplies and Expenses of \$123,000
- Increase in Miscellaneous General Expenses of \$188,000

**Table 15 – Employee Costs**

<i>Employee Costs</i>						
	2013	2014	2015	2016	2017	2018
<i>Number of Employees (FTEs including Part-Time)<sup>1</sup></i>						

<i>Management (including executive)</i>	9	9	8	10	8	9
<i>Non-Management (union and non-union)</i>	24	22	24	24	25	26
<i>Total</i>	33	31	32	33	33	35
<b>Total Salary and Wages including overtime and incentive pay</b>						
<i>Management (including executive)</i>	\$1,008,219	\$1,089,224	\$1,014,285	\$1,040,398	\$1,079,699	\$1,101,293
<i>Non-Management (union and non-union)</i>	\$1,583,265	\$1,581,417	\$1,627,852	\$1,736,978	\$1,951,823	\$1,990,859
<i>Total</i>	\$2,591,484	\$2,670,641	\$2,642,137	\$2,777,376	\$3,031,522	\$3,092,152
<b>Total Benefits (Current + Accrued) -</b>						
<i>Management (including executive)</i>	\$289,685	\$265,516	\$252,004	\$257,753	\$291,519	\$297,349
<i>Non-Management (union and non-union)</i>	\$434,527	\$398,274	\$378,006	\$386,629	\$543,323	\$554,189
<i>Total</i>	\$724,212	\$663,789	\$630,009	\$644,382	\$834,842	\$851,539
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>						
<i>Management (including executive)</i>	\$1,297,904	\$1,354,740	\$1,266,289	\$1,298,151	\$1,371,218	\$1,398,642
<i>Non-Management (union and non-union)</i>	\$2,017,792	\$1,979,691	\$2,005,858	\$2,123,607	\$2,495,146	\$2,545,049
<i>Total</i>	\$3,315,696	\$3,334,430	\$3,272,146	\$3,421,758	\$3,866,364	\$3,943,691

1 Major drivers include;

- 2 ♦ Increase in Executive Salaries and Expenses of \$170,000
- 3 ♦ Increase in General Administrative Expenses \$330,000

4 An inflationary factor of 2% was utilized for management salaries and wages, not included in the  
5 collective agreement. Wage settlements in the collective agreement reflect an increase of 2%.

## 6 Load Forecast Summary<sup>32</sup>

7 The load forecast for 2018 is based on a methodology which predicts class specific consumption  
8 using a multiple regression analysis that relates historical monthly wholesale kWh usage to  
9 monthly historical heating degree days and cooling degree days.

10 After testing numerous combinations and scenarios, the utility opted to use the following  
11 variables. In WPI's case, variation in monthly electricity consumption is influenced by six main

---

<sup>32</sup> Load Forecast Summary - load and customer growth, % change in kWh and customer numbers, methodology description

factors – weather (e.g. heating and cooling), which is by far the most dominant effect for most systems; seasonality, in this case, a daylight and a Consumer Price Index factor.

Specifics relating to each variable used in the regression analysis are presented at the next section.

➤ Tested and Included

- Wholesale Purchases (main)
- Heating Degree Days (included)
- Cooling Degree Days (included)
- Daylight hours (included)
- CPI (included)
- Spring/Fall Flag
- Days/month

Weather normalized values are determined by using the regression equation with a 10-year average monthly degree days (2007-2016). The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications and has been accepted by the Board.

Allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual wholesale kWh for the 2007 to 2016 period.

The 2018 Load Forecast is presented below and detailed explanations of the load forecast can be found in Exhibit 3.

1

**Table 16 - Load Forecast**

*CDM Adjusted Consumption (kWh)*

<i>Customer Class Name</i>	<i>Last Board Appr</i>	<i>2018</i>
<i>Residential</i>	206,340,893	182,208,797
<i>General Service &lt; 50 kW</i>	65,583,143	63,336,490
<i>General Service &gt; 50 to 4999 kW</i>	172,663,135	161,339,327
<i>Unmetered Scattered Load</i>	275,664	261,852
<i>Sentinel Lighting</i>	18,246	13,545
<i>Street Lighting</i>	5,458,939	2,137,697
<i>TOTAL</i>	450,340,020	409,297,707

2

*CDM Adjusted Consumption (kW)*

<i>Customer Class Name</i>	<i>2013</i>	<i>2018</i>
<i>Residential</i>	0	0
<i>General Service &lt; 50 kW</i>	0	0
<i>General Service &gt; 50 to 4999 kW</i>	479,272	434,344
<i>Unmetered Scattered Load</i>		0
<i>Sentinel Lighting</i>	17	17
<i>Street Lighting</i>	15,177	6,664
<i>TOTAL</i>	494,466	441,025

### 3 **Statement of Cost of Capital Parameters<sup>33</sup>**

4 WPI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities,  
5 December 11, 2009 in determining the cost of capital.

6 In this application, Westario Power Inc seeks to recover a weighted average cost of capital of  
7 5.67% through rates in the 2018 Test Year. Westario Power Inc has followed the Report of the  
8 Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, as well as the

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<sup>33</sup> Cost of Capital - Statement regarding use of OEB's cost of capital parameters; summary of any deviations

- 1 Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities,
- 2 January 14, 2016, in determining the applicable cost of capital.
- 3 In calculating the cost of capital, WPI has used the deemed capital structure of 56% long-term
- 4 debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB letter
- 5 from 2016, for the allowed return on equity and where appropriate for debt.
- 6 WPI's cost of capital for 2018 has been calculated as 5.67%, as shown in Table 17 below:

**Table 17 – Overview of Capital Structure**

<i>Particulars</i>	Cost Rate		Return	
	(%)	(\$)	(%)	(\$)
<i>Debt</i>				
<i>Long-term Debt</i>	56.00%	\$28,857,673	3.72%	\$1,073,505
<i>Short-term Debt</i>	4.00%	\$2,061,262	1.76%	\$36,278
<i>Total Debt</i>	60.0%	\$30,918,936	3.59%	\$1,109,784
<i>Equity</i>				
<i>Common Equity</i>	40.00%	\$20,612,624	8.78%	\$1,809,788
<i>Preferred Shares</i>		\$ -		\$ -
<i>Total Equity</i>	40.0%	\$20,612,624	8.78%	\$1,809,788
<i>Total</i>	100.0%	\$51,531,560	5.67%	\$2,919,572

- 8
- 9 WPI understands that the OEB will most likely update the Cost of Capital parameters for 2018 at
- 10 a later date. WPI commits to updating its Cost of Capital calculation as new information
- 11 becomes available and as appropriate.

1 **Overview of Cost Allocation and Rate Design<sup>34</sup>**

2 The main objectives of a Cost Allocation study is to provide information on any apparent cross-  
3 subsidization among a distributor's rate classifications and to eventually be used in future rate  
4 applications.

5 WPI has prepared and is filing a cost allocation information filing consistent with the utility's  
6 understanding of the Directions, the Guidelines, the Model and the Instructions issued by the  
7 Board back in November of 2006 and all subsequent updates.

8 WPI has prepared a Cost Allocation Study for 2018 based on an allocation of the 2018 test year  
9 costs (i.e., the 2018 forecast revenue requirement) to the various customer classes using  
10 allocators that are based on the forecast class loads (kW and kWh) by class, customer counts,  
11 etc.

12 WPI has used the updated Board-approved Cost Allocation Model and followed the instructions  
13 and guidelines issued by the Board to enter the 2018 data into this model.

14 Two of the classes' revenue to cost ratios ended are outside the Board range. For those two  
15 classes, the utility proposes a multi-year reallocation to reduce the impact on the bills. Table 18  
16 below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the  
17 proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges.

18

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<sup>34</sup> Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes and summary of proposed mitigation plans



**Table 18: Proposed Allocation**

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range	
				Floor	Ceiling
<i>Residential</i>	1.00	1.00	0.0000	0.85	1.15
<i>General Service &lt; 50 kW</i>	1.06	1.06	0.0000	0.80	1.20
<i>General Service &gt; 50 to 4999 kW</i>	0.83	0.90	-0.0700	0.80	1.20
<i>Unmetered Scattered Load</i>	1.03	1.03	-0.0007	0.80	1.20
<i>Sentinel Lighting</i>	0.89	0.95	-0.0569	0.80	1.20
<i>Street Lighting</i>	1.63	1.20	0.4282	0.80	1.20

In mid-year 2015, OEB introduced a new policy for all-fixed distribution rates for residential customers. Until now, distribution rates for the residential class have been a blend of fixed and variable rates as shown below. To reduce the impact on customer bills, WPI has implemented a five-year phase-in period for the move to an all-fixed monthly service charge.

For all other classes, distribution revenues are derived through a combination of fixed monthly charges and volumetric charges based either on consumption (kWh) or demand (kW). Revenues are collected from 6 customer classes including: Residential, General Service less than 50 kW, General Service greater than 50 kW, Intermediate, Sentinel (USL) and Street Lighting.

Fixed rate revenue is determined by applying the current fixed monthly charge to the number of customers or connections in each of the customer classes in each month. Variable rate revenue is based on a volumetric rate applied to meter readings for consumption or demand volume.

Existing volumetric rates include a component to recover allowances for transformer ownership.

Commodity Charges and deferral and variance rate riders, along with WPI specific other adders such and added to the distribution rates to arrive at a final all-encompassing bill.

Table 19 below shows WPIs existing rates in comparison to the 2018 proposed rates. As can be seen, the fixed charge for the Residential class is increasing while the variable charge is decreasing. Details can be found in Exhibit 8.

1 **Table 19: Proposed Rates**

Customer Class Name	Existing Rates		Proposed Rates		per
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	
<i>Residential</i>	\$20.0600	\$0.0082	\$24.41	\$0.0061	kWh
<i>General Service &lt; 50 kW</i>	\$25.1400	\$0.0113	\$25.14	\$0.0138	kWh
<i>General Service &gt; 50 to 4999 kW</i>	\$232.0200	\$2.1801	\$232.02	\$2.8578	kW
<i>Unmetered Scattered Load</i>	\$6.3800	\$0.0239	\$7.07	\$0.0265	kWh
<i>Sentinel Lighting</i>	\$5.7500	\$29.7440	\$6.45	\$37.7184	kW
<i>Street Lighting</i>	\$6.0000	\$5.0515	\$4.86	\$4.0957	kW

- 2
- 3 **Overview of Deferral and Variance Account Disposition<sup>35</sup>**
- 4 WPI proposes to dispose of a debit of \$2,980,089 related to Group 1 and Group 2
- 5 Variance/Deferral Accounts. This debit includes carrying charges up to and including December
- 6 31, 2017<sup>36</sup> WPI also proposes to dispose of the following;
- 7 ♦ A net debit balance of \$259,094 recorded in account 1568 being the Lost Revenue
  - 8 Adjustment Mechanism Variance Account,
- 9 Group 1 and Group 2 DVA balances are proposed to be disposed of over 4 years.
- 10 WPI has followed the OEB's guidance as provided in the OEB's Electricity Distributor's
- 11 Disposition of Variance Accounts Reporting Requirements Report. As of December 31, 2016,
- 12 WPI recorded principal balances in the following Board-approved deferral and variance
- 13 accounts.

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<sup>35</sup> Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested

<sup>36</sup> Intent to claim interest between December 31, 2016 and actual date of disposition as well

1 **Table 20 – Account and Balances sought for disposition/recovery**

		Amounts from Sheet 2	Allocator
<i>LV Variance Account</i>	1550	785,230	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(4,598)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(588,901)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	213,784	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	209,805	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	2,126,816	kWh
<i>RSVA - Global Adjustment</i>	1589	(1,209,106)	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2009)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2010)</i>	1595	0	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2011)</i>	1595	(1,658)	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	2,287	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	6,204	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	288,888	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	1,023,002	kWh
<i>Total of Group 1 Accounts (excluding 1589)</i>		4,060,858	
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	109,363	kWh
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	0	kWh
<i>Retail Cost Variance Account - Retail</i>	1518	(38,049)	kWh
<i>Misc. Deferred Debits</i>	1525	0	kWh
<i>Retail Cost Variance Account - STR</i>	1548	57,022	kWh
<i>Board-Approved CDM Variance Account</i>	1567	0	kWh
<i>Extra-Ordinary Event Costs</i>	1572	0	kWh
<i>Deferred Rate Impact Amounts</i>	1574	0	kWh
<i>RSVA - One-time</i>	1582	0	kWh
<i>Other Deferred Credits</i>	2425	0	kWh
<i>Total of Group 2 Accounts</i>		128,336	
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)</i>	1592	0	kWh
<i>PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)</i>	1592	(25,522)	kWh
<i>Total of Account 1592</i>		(25,522)	
<i>LRAM Variance Account (Enter dollar amount for each class)</i>	1568	255,230	

<i>(Account 1568 - total amount allocated to classes)</i>		0	
<i>Variance</i>		45,051	
<i>Renewable Generation Connection OM&amp;A Deferral Account</i>	1532	2,082	kWh
<i>Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)</i>		2,522,943	
<i>Total of Account 1580 and 1588 (not allocated to WMPs)</i>		1,537,914	
<i>Balance of Account 1589 Allocated to Non-WMPs</i>		(1,209,106)	
<i>Group 2 Accounts (including 1592, 1532)</i>		104,896	
<i>IFRS-CGAAP Transition PP&amp;E Amounts Balance + Return Component</i>	1575	0	kWh
<i>Accounting Changes Under CGAAP Balance + Return Component</i>	1576	0	kWh
<i>Total Balance Allocated to each class for Accounts 1575 and 1576</i>		0	
<i>Account 1589 reference calculation by customer and consumption</i>			
<i>Account 1589 / Number of Customers</i>	(\$40.54)		
<i>1589/total kwh</i>	(\$0.00295)		

1

## 2 **Overview of Total Bill Impacts<sup>37</sup>**

3 A summary of the total bill impacts by class is presented below. Detailed explanations of the bill  
4 impacts are presented at Exhibit 8.

5 The bill impacts vary by customer class, ranging from a decrease of 10.45% for the Street  
6 Lighting Class to increases of 10.10% for the Sentinel Lighting class. GS<50 and GS>50 have  
7 much lower increases at 4.61% and 6.53% respectively. Residential is increasing by 5.39% and  
8 Unmetered Scattered Load class is seeing an increase of 6.44%.

9 WPI's proposed 2017 revenue requirement and therefore the bill impacts is needed to remain in  
10 compliance with its regulators and meet its mandate and commitment to provide safe, reliable

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<sup>37</sup> Bill Impacts - total impacts (\$ and %) for all classes for typical customers

cost-effective services and products achieving sustainable growth while respecting the community and the environment.

**Table 21 – Total Bill Impacts**

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Total		
		Consumption	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	750	6.03	5.4%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	2047	13.43	4.6%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	65040	538.41	6.5%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - Non-RPP (Other)	kWh	405	4.19	6.4%
SENTINEL LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	230	4.52	10.1%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	16194	(617.67)	-10.4%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	270	5.09	9.4%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	750	7.47	5.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	270	5.61	9.1%

## 1.6 MATERIALITY THRESHOLD<sup>38</sup>

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement less than \$10 million must use \$50,000 as a materiality threshold. With a proposed base revenue requirement of \$10.96M WPI has used this amount as a materiality threshold throughout this application.

<sup>38</sup> Materiality threshold; additional details beyond the threshold if necessary

## 1.7 CUSTOMER ENGAGEMENT

### 1.7.1 OVERVIEW OF CUSTOMER ENGAGEMENT<sup>39</sup>

The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the “RRFE Report”) contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations. WPI has always and will always focus on its customers by striving to provide superior service to its customer base. WPI is also initiating concepts to become more customer-centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively and efficiently with our customers. Some of our current initiatives to maintain or improve our level of customer engagement are as outlined in Table 22 below.

Specifically a general survey was conducted that included content on expenditure plans among other things. A copy of the survey can be found at appendix I.

The results of this survey indicate that WPI customer base generally support the proposed level of spending which reflects historical expenditure levels; Maintain current level of service and reliability and receive Annual feedback on Capital spending. Expenditures for both OM&A and Capital detailed in this application reflect the results of this survey.

This survey was followed up a more focused approach as detailed in Appendix C. All customers have been provided a copy via direct mail.

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<sup>39</sup> Overview of customer engagement activities; description of plans and how customer needs, preferences and expectations have been reflected in the application.

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**Table 22 – OEB Appendix 2 – AC<sup>40</sup>**

<b>Provide a list of customer engagement activities</b>	<b>Provide a list of customer needs and preferences identified through each engagement activity</b>	<b>Actions taken to respond to identified needs and preferences. If no action was taken, explain why</b>
Online Website Survey	Website difficult to navigate and locate necessary information; was not mobile friendly	Update website to become more user friendly and mobile friendly Post capital projects on notification (front) screen
Direct and Indirect Outreach	Increase community engagement  Proactive outage management system  Feedback on improving customer experience	Touch-A-Truck events; Christmas Parades; Community Swim/Skate Sponsorships Implemented Twitter, Facebook and website outage notification; Call blasts for planned outages Bill inserts explaining value added services; Telephone etiquette training; On-going discussions regarding customer centricity
Large Customer 1-on-1 Meetings	Establishing contact points within WPI for outages  Notification for planned outages  Understand LDC expectations and comprehend feedback	Contact points established; enhancement to After Hours for key contacts Personal or recorded call for planned outages Created dialogue for potential expansion/system upgrades; Provided liaison between customer and LDC
Customer Engagement Survey	Decrease amount of time to deal with issues; Telephone is preferred method of contact  Increase amount of tree trimming to increase system reliability Educating customer/public about energy conservation and safety  Increase service during power outages	Department is now fully staffed and a tiered call system implemented to provide first call resolution Completed 2017 tree trimming program early in year Conducted Electrical Safety Awareness Survey; Website/Social media updates with Industry related information; School safety awareness programs; Bill buck slips promoting energy conservation programs and information Website and Social Media updates; Phone blasts completed for planned outages; enhancing After Hours support for better customer experience
Operational and Capital Plan Online Survey	Maintain appropriate spending; Maintain current level of service and reliability; Annual feedback on Capital spending  Improve customer information via website and social media outlets	Continue with capital plan; Create insert to distribute outlining proposed capital expenditures, location of online survey and proportioned bill revenue Increase usage of website and social media to distribute industry information, rate explanation; Time Of Use material;

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<sup>40</sup> Complete Appendix 2-AC Complete Appendix 2-AC Customer Engagement Activities Summary - explicit identification of the outcomes of customer engagement in terms of the impacts on the distributor's plans, and how that information has shaped the application

	Review isolation / re-energization policy/fees	Energy management; Services promotion, etc. Reviewed and amended policy; created menu style pricing for service work completed
Electrical Safety Awareness Survey	Continuing focus on customer and public electricity safety and awareness  Education should begin with children and be community based	Provide information regarding Electricity Safety and Awareness via website, social media, bill inserts and on-hold messaging  Continue school education programs as well as community Touch-A-Truck events; contributed to Community Safety Village

1

## 2 **Customer Satisfaction Survey**

3 WPI conducted a separate customer satisfaction survey with its residential and GS<50 classes.

4 WPI engaged UtilityPULSE to conduct an independent customer satisfaction survey for 2016.

5 The survey asks customers questions on a wide range of topics, including: (a) power quality and  
6 reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service  
7 experience. UtilityPULSE initiated the 2016 survey in October of 2015, with final results available  
8 in March 2016. Results were compiled into a final report outlining the overall customer  
9 satisfaction within the community as well as benchmarking the results against other Provincial  
10 and National participants. The results were used to support internal discussions surrounding  
11 what is currently being done well, and what needs improvement.

12 With regard to the 2016 survey results, UtilityPULSE surveyed 422 responses, consisting of 85%  
13 residential and 15% commercial. In terms of customer satisfaction, WPI ranked in line with both  
14 the Provincial and National averages:

- 15 1. WPI customer satisfaction ranking, 88%
- 16 2. National customer satisfaction ranking, 89%
- 17 3. Provincial customer satisfaction ranking, 88%

18 Copies of the consultant's report and the communication to WPI, is provided at Appendix B of  
19 this Exhibit.



## 1    **Front Desk Support**

2    WPI currently maintains front desk support allowing the customer and the utility to interact on a  
3    direct basis. Social interaction is still one of the best ways to be in close contact with the  
4    customer. Customers appreciate the opportunity to engage with staff and provide feedback,  
5    which is conveniently done when paying your electrical bill at the front counter of your local  
6    utility.

7    With front desk support, information is exchanged regularly with every customer interaction.  
8    Data gathered through these interactions is used to improve business outcomes. In this sense,  
9    front desk staff becomes pivotal to the business and bridges the gap between the customer and  
10   other utility staff. WPI plans on continuing its front desk operations as a form of customer  
11   engagement and to ensure expected customer service levels are maintained.

### 12   **1.7.2 PUBLICATIONS**

13   The majority of WPI's customers receive a physical bill in the mail, and WPI takes advantage of  
14   this opportunity to communicate additional information via messages on the outside of the  
15   envelope, separate inserts, and messages on the bill itself. Many of these messages are  
16   coordinated with announcements from the OEB, IESO, and other agencies, and include  
17   information about retailers, rate changes, conservation and demand management programs,  
18   electrical safety, and references to our website.

19   Educational Publications: The utility has recently launched a new program aimed at educating  
20   the customers on segments of the bill. WPI publishes a bill insert, which provides information  
21   and updates on the industry and/or explains how costs/rates are determined. The utility is also  
22   working to publish on their website information about the industry, the regulator and the rate  
23   making process.

### 1.7.3 MEETINGS AND ADVERTISEMENTS

WPI hosted several public forums that provided an opportunity for all customers to learn about the company's distribution system investment plans and the potential rate impacts associated with these plans. The forums were led by UtilityPULSE who were well informed of the issues at hand. A summary of the customer feedback and discussions from these forums is as follows:

1. Item #1: Capital Expenditures
2. Item #2: Operational Expenditures
3. Item #3: Customer Communications

When customers are affected by upgrades and/or other special projects, notices are sent out in advance to customers providing specific and relevant information regarding the project at hand.

These notices are provided not only to inform customers of significant events, but to also provide a contact in case they have any comments, concerns or questions related to the project. The following figure is an example of report from a telephone notification that was initiated March 31, 2017 to advise customers of a project that occurred in their specific area.

### Conservation and Demand Management

Conservation and Demand Management ("CDM") work conducted by Westario Power Inc. includes a number of initiatives that involves outreach to our customers. Reaching out to customers through CDM programs helps customers to better understand their local utility, while they become more knowledgeable about energy conservation. Westario Power Inc. continues to participate in a number of community events to highlight CDM program offerings.

In addition to the above, a number of customers have expressed the need for extra consultation and assistance with various CDM programs. In response to this, CDM staff makes direct contact with customers to assist them with their concerns and/or CDM program applications on an individual basis. These efforts provide a communication channel to energy conscious customers so that the needs and desires of these customers are better understood and addressed.

One extremely important CDM initiative that Westario Power Inc. has undertaken for the past several years is that of the Home Assistance Program (HAP). For our customers that are unable to fully partake of the Residential Programs because of economic barriers the HAP Program provides energy efficient measures at no cost to the home owner or rent payer that they would not be able to afford otherwise. Westario Power continues to try to persuade the IESO to permit Westario Power Inc. to offer other no cost Programs to our residential customers. A residential direct install Pilot (LED lights, water saving showerheads, etc.) that was run in 2016 proved to be cost efficient and participation exceeded expectations. We continue to press for the IESO's approval to run this as a full local Program.

#### 1.7.4 COMMUNITY INVOLVEMENT

It is important to WPI and its Shareholders that its employees support and give back to their community, and as such, the utility participates in several community projects and events (at no cost to ratepayers) such as:

1. Christmas Parades: WPI is a contributor to this popular annual holiday celebration, the volunteer crew from WPI actively engages in electrical safety and awareness during these events.
2. Touch-A-Truck Events: WPI, in partnership with our local communities, provides an interactive safety awareness display and offers educational products to promote electrical safety appreciation. These events will run throughout the summer.
3. Community Skate/Swim Sponsorship Programs: WPI partners with local communities to sponsor an Family oriented, open public event throughout the course of the summer and winter to encourage a healthy lifestyle.

### 1.7.5 SOCIAL SERVICES

Financial Assistance Program: WPI provides support through partnerships with the province's Low-income Energy Assistance Program (LEAP) program as well as promoting the Ontario Electricity Support Program (OESP). Both emergency financial assistance programs are designed to help low-income customers who have difficulty making their electricity bill payments.

### 1.7.6 OTHER ENGAGEMENT ACTIVITIES

Other Customer Activities Include:

1. Newsletters, bill inserts, information bulletins, press releases
2. Meetings – Town Hall, customer specific, Chamber of Commerce, etc.
3. Maintaining industry relevant information current – Association (i.e. EDA, ESA, CHEC, etc.), social entities, OEB, etc.
4. Education – Customers, school programs, etc.
5. Outage Notification – Planned and unplanned; After Hours Support
6. Miscellaneous focused surveys,
7. Use of Social Media, industry information, contests, promotions, etc.
8. Collecting, tracking and reviewing key customer service/care metrics
9. Supporting charitable or not-for-profit organizations in the community
10. Service Orders (i.e.: Arranging for shut off/turn on, service calls, etc.)
11. Data Analysis (i.e.: billing information, usage data, conservation data, etc.)
12. Maintaining information about an account, preferences or permissions
13. Responding to & tracking customer complaints
14. Responding to & tracking customer suggestions
15. Website, Mobile Friendly Website

1 WPI is of the opinion that Utilities have a higher chance of successfully engaging their customers  
2 when they think about what will please those customers. It is critical for utilities to understand  
3 what really has meaning to their customers and how their customers form an opinion of the  
4 utility. Effective customer engagement addresses each of these through presenting meaningful  
5 information in an accessible manner.

6 Specifically a general survey was conducted that included content on expenditure plans among  
7 other things. The results of this survey indicate that WPI customer base generally support the  
8 proposed level of spending which reflects historical expenditure levels; Maintain current level of  
9 service and reliability and receive Annual feedback on Capital spending. Expenditures for both  
10 OM&A and Capital detailed in this application reflect the results of this survey.

11 This feedback has been used to determine that the forecasted spending should stay in line with  
12 the original forecast.<sup>41</sup>

13 This survey was followed up a more focused approach as detailed in Appendix C. All customers  
14 have been provided a copy via direct mail.

15 Westario has determined that there are several very effective methods, both Direct and Indirect  
16 Outreach forums, that provide opportunities to effectively allow the organization and customers  
17 to provide and obtain valuable feedback. These include but are not limited to such things as  
18 Twitter, Facebook and website messaging e.g. outage notification; Call blasts for planned  
19 outages, Bill inserts explaining value added services, Touch-A-Truck events; Christmas Parades  
20 and WPI sponsored Community Swim/Skate participation.<sup>42</sup> Generally feedback received has  
21 indicated that: 1) the supply and delivery of a consistent supply of electricity is the primary  
22 expectation, 2) the costs associated with the delivery of electricity seem reasonable and the

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<sup>41</sup> Discussion of any feedback provided by customers and how the feedback shaped the final application

<sup>42</sup> Reference to any other communication sent to customers about the application i.e. bill inserts, town hall meetings or other forms of out reach and the feedback received from customers through these engagement activities

1 expectation is that historical costs will be representative of future requirements, and 3) cost  
2 burdens associated with one off activities such as disconnect/reconnect charges have excessively  
3 surpassed the value/benefit of these services which reflects customer complaints received.

4 The expenditures in both OM&A and Capital represent the requirements to meet the  
5 expectations as expressed by customers and balanced with the financial and physical capacity of  
6 the organization. Westario recognizes that it must give due consideration to many factors when  
7 determining appropriate levels of expenditure. For example the organization could, given its  
8 current financial state, further leverage the balance sheet to support capital expenditures  
9 currently contained in the DSP and beyond over a shortened time frame; however that would  
10 cause undue financial burden on customers and not reflect prudent long term strategic planning  
11 and asset replacement and refurbishment needs as identified in the DSP. As well historical  
12 OM&A expenditures have been deficient in certain areas and this has unduly affected the ability  
13 to appropriately deal with such things as customer relations matters resulting in a reduced level  
14 of satisfaction. An employee engagement driven, fully staffed organization structure will result in  
15 slightly increased costs over past years but will avoid similar staffing problems in the future and  
16 be balanced with improved customer approval ratings.<sup>43</sup>

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<sup>43</sup> Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates

## 1.8 LETTERS OF COMMENT<sup>44</sup>

In accordance with the Filing Requirements, this Schedule will be updated to include all responses to matters raised in letters of comment filed with the OEB during the course of the proceeding.<sup>45</sup>

## 1.9 SCORECARD ANALYSIS

### 1.9.1 SCORECARD RESULTS AND ANALYSIS

As shown in the 2016 Scorecard, Westario Power has continued to reflect a customer focused, financially sound, safe and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence Westario's operations, which is reflected in the increase in customer satisfaction. Westario's investment in technologies has provided greater choice to customers as to how, when and where they can communicate with Westario staff and will continue to provide an appropriate cost effective platform for customer interactions. While adverse weather conditions can negatively impact the distribution system, Westario's continued efforts to maintain vegetation and proactively maintain and replace equipment has had a positive effect on our operational effectiveness.

#### **Service Quality**

From the period of 2012-2016, the utility has reported results for services connected on time, scheduled appointments met on time and telephone calls answered on time that have exceeded industry expectations.. Despite the already favourable results Westario has committed to a

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<sup>44</sup> All responses to matters raised in letters of comment filed with the OEB.

<sup>45</sup> Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement, identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how distributor's self-assessment has informed its business plan and the application

deliberate focus on improving client relationships and customer satisfaction and achieve excellencing in Customer service as reflected in the Business Plan.

As a result Westario Power Inc expects results to remain strong going forward.

#### **Customer Satisfaction**

As previously mentioned Westario has committed to a deliberate focus on improving client relationships and customer satisfaction. Despite billing accuracy and first contact resolution measuring essentially 100% Westario feels that there is room to improve its overall rating of customer satisfaction of 88%. The negative implications associated with reputational risk have been recognized by both the Board of Directors and Management and a commitment has been made to retain a 100 per cent transactional customer satisfaction score and to obtain a 95% per cent overall customer satisfaction (perception) score within five years.

#### **Asset Management**

WPI has now completed a Distribution System Plan and it will be filed with the 2018 Cost of Service Application.

#### **Connection of Renewable Generation**

WPI has maintained 100% timely connection of renewable installations. WPI will continue to provide the staff resources to maintain an efficient and effective methodology to connect renewable installations.

#### **Conservation & Demand Management**

Under the new regulations, WPI has developed a CDM plan to meet the 2015-2020 energy targets under the Conservation First Framework.



## 1    **Financial Performance**

2    WPI continues to strive to achieve greater efficiency through productivity improvements and  
3    cost control, without compromising safety and reliability. The deterioration in the liquidity ratio  
4    is as a result of continued long term investment in the distribution system which in the short  
5    term was financed through operations. Westario has a plan to better leverage the balance sheet  
6    and acquire annually LTD to match capital expenditures. Westario did acquire incremental long  
7    term debt in June 2017 in conjunction with this strategy.

8    While the leverage and profitability measures are indicative of a financially viable, cost conscious  
9    organization, management realizes high staff turnover, and subsequent positions left vacant and  
10   lack of backup and training were not in line with best practices or the current strategic goals and  
11   priorities. Incremental costs will be incurred to rectify areas of weakness and deficiency.

## 12   **Safety**

13   Safety remains a core attribute of WPI's as it delivers power to its customers daily. WPI continues  
14   to strive to communicate on safety throughout our distribution system through various methods  
15   including safety orientations, on-line, outreach and telephone. WPI's efforts in this area have  
16   resulted in zero serious incidents.

17   The Level of Compliance with Ontario Reg 22/04 has deteriorated as a result of delayed filing of  
18   proper documentation and is an administrative deficiency only. This issue has been identified as  
19   a priority and corrective action has been taken in 2017.

## 20   **System Reliability**

21   74% of WPI's capital expenditures in the 2017 – 2022 period will be targeted to the renewal of  
22   the current system. However WPI will also incur costs related to expanding and modernizing its  
23   system's ability to monitor hydro loads and spikes, which will help minimize or reduce the  
24   impacts of outages. It is WPI's goal to retain our very positive results with respect to the  
25   reliability of our distribution system. System Average Interruption Duration Index (SAIDI) is a

measure in hours of the average time that customer's power is interrupted and is presented as hours of interruption per customer per year. In 2016 Westario Powers SAIDI was 2.41. System Average Interruption Frequency Index (SAIFI) is an indicator of the average number of interruptions that customers experienced and presented as interruptions per customer per year. In 2016 Westario Powers SAIFI was 0.63. In addition to these indicators of system performance and reliability, Westario Power incurred no outages that are classified as major events. Interruptions continue to be as a result of increased storm activity and loss of supply.

## **Overall**

WPI has continued to reflect a customer focused, financially sound, safe and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence WPI's operations, which are reflected in the continued low number of dissatisfied customers. WPI continues to be a financially strong company that re-invests in technology that will bring improvements to customer interactions, system reliability and safety.

The current scorecard is included in appendix H of this Exhibit.

## **1.10 FINANCIAL INFORMATION**

### **1.10.1 FINANCIAL RESULTS**

The OEB's RRFE for electricity distributors includes Financial Performance as one of the performance measurements. The four financial metrics included are liquidity, leverage, deemed return on equity and achieved return on equity. WPI'S metrics for historical years 2013 to 2016, the 2017 Bridge Year and the 2018 Test Year projection based on current rates is shown in Table 23 below

**Table 23 – Financial Results**

*Financial Performance Financial Ratios*

Year	Liquidity Current Ratio Leverage	Total Debt to Equity Ratio Profitability	Regulatory Return on Equity- Deemed profitability	Return on Equity- Achieved
2013	1.37	.64	8.98%	8.50%
2014	1.54	.70	8.98%	11.90%
2015	1.57	.65	8.98%	8.02%
2016	1.12	.61	8.98%	6.66%
2017 Bridge	0.98	.38	8.98%	8.98%
2018 Test	0.85	.41	8.78%	8.78%

WPI strives to be financially responsible in controlling capital and OM&A expenditures to provide a rate of return within the OEB allowed return on equity thereby meeting the shareholder's expectations while continuing to reinvest in its distribution system to meet customer expectations and operational efficiencies for the safe and reliable delivery of electricity.

The deterioration in the liquidity ratio is as a result of continued long term investment in the distribution system which in the short term was financed through operations. Westario has a plan to better leverage the balance sheet and acquire annually LTD to match capital expenditures. Westario did acquire incremental long term debt in June 2017 for 2016 Capital expenditures in conjunction with this strategy and the year end representative numbers for 2017 and 2018 will be addressed with a similar strategy.

The leverage and profitability measures are indicative of a financially viable, cost conscious organization. However, high staff turnover, and subsequent positions left vacant and lack of backup and training were not in line with the current strategic goals and priorities. Planned, incremental and sustained costs will be incurred on a go forward basis to rectify any areas of weakness and deficiency.

#### 1.10.2 RATE BASE AND REVENUE DEFICIENCY

Table 24 below shows WPI's revenue deficiency/sufficiency from the last Cost of Service in 2013 to the herein proposed 2018 revenue requirement. The proposed revenue requirement for the

1 test year is 13.69% higher than the 2013 Cost of Service Approved Revenue Requirement. The  
2 revenue requirement between 2014 and 2016 has increased moderately representing a  
3 deliberate pace of capital and operational investment. The change in revenue requirement in  
4 2017 and 2018 vs 2014 is mostly due to the replacement and refurbishment of existing assets in  
5 order to keep the distribution system as safe and reliable as feasibly possible. This is specifically  
6 significant as Westario's system is an aging one which required significant renewal investments  
7 to maintain this safety and reliability, investments which greatly increased depreciation  
8 expenses. In 2013 WPI change the useful lives of assets to match the approved rates from the  
9 2013 Cost of Service Application. This was accounted for by amortizing the net value of the  
10 asset at December 31, 2012 over the new remaining useful life of the asset. In 2015 with the  
11 conversion to IFRS further adjustments were required to be made to the opening value of assets  
12 in order to record them at their fair market value at the time of transition. WPI determined that  
13 the best way of determining fair market value was to use the net book value at the time of  
14 transition to IFRS. Therefore, at the start of 2015 all accumulated amortization was netted  
15 against the gross value of assets in order to bring the assets to their fair market value at that  
16 date. Due to the adjustment to useful lives as required by the 2013 Cost of Service Application  
17 in 2013 and the adjustment to fair market value as required by the transition to IFRS in 2015 a  
18 standard continuity schedule isn't able to accurately account for all of these adjustments and re-  
19 calculate amortization expense for any given particular year. Regulatory costs are projected to  
20 be higher for 2018 due to regulatory provisions for an oral hearing and drafting of the  
21 Distribution System Plan by a third-party engineering firm. The change in OM&A expenses in  
22 2018 vs. the last board approved 2013 amount is relatively insignificant, with a moderate 3.37%  
23 decrease. Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue  
24 Offsets are explained in detail at Exhibit 3.

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**Table 24 – Revenue Deficiency**

	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected
	2013	2013	2014	2015	2016	2017	2018
<b>Utility Income</b>	<b>1,470,834</b>	<b>2,235,859</b>	<b>2,101,708</b>	<b>1,908,574</b>	<b>1,940,884</b>	<b>1,912,195</b>	<b>1,809,788</b>
Gross Fixed Assets (year end)	55,062,212	58,495,044	63,000,859	46,086,195	51,159,947	52,164,616	57,055,860
Capital Expenditures (additions)	<b>0</b>	<b>6,897,841</b>	<b>4,327,200</b>	<b>3,865,698</b>	<b>5,385,500</b>	<b>4,309,442</b>	<b>4,891,244</b>
Accum Depreciation	-19,472,060	-21,053,346	-22,705,296	-3,460,423	-5,716,587	-7,026,461	-9,020,346
<b>Adjustment as per ROE Calculations</b>				211,281	-532,653		
Average Net Fixed Assets	35,590,152	34,403,067	38,868,631	41,460,668	44,034,066	45,386,108	46,778,536
Utility Rate Base	41,876,275	40,476,116	45,197,903	48,242,950	51,626,697	53,234,838	51,531,560
Deemed Equity Portion of Rate Base	16,750,510	16,190,446	18,079,161	19,297,180	20,650,679	21,293,935	20,612,624
Income/(Equity Portion of Rate Base)	8.78%	5.52%	4.65%	3.96%	3.76%	3.59%	3.51%
Indicated Rate of Return	6.56%	6.56%	7.52%	6.02%	4.70%	6.64%	5.67%
Approved Rate of Return	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	5.67%
Sufficiency / (Deficiency) in Return	(0.08%)	(0.08%)	0.88%	(0.62%)	(1.94%)	0.00%	0.00%
Equity	40%	40%	40%	40%	40%	40%	40%
Short Term Debt	4%	4%	4%	4%	4%	4%	4%
Long Term Debt	56%	56%	56%	56%	56%	56%	56%
Equity Return	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.78%
Short Debt Return	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	1.76%
Long Debt Return	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	3.72%
Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
<b>Net Revenue Sufficiency / (Deficiency)</b>	<b>-33,362</b>	<b>-31,811</b>	<b>395,579</b>	<b>-299,943</b>	<b>-1,003,069</b>	<b>0</b>	<b>0</b>

2

3

1 **Table 25 - 2018 Proposed Revenue Requirements**

	CGAAP	NEWGAAP	NEWGAAP	MIFRS	MIFRS	MIFRS	MIFRS
<i>Particular</i>	Last Board Approved	2013	2014	2015	2016	2017	2018
<i>OM&amp;A Expenses</i>	\$6,169,200	\$5,709,737	\$5,224,652	\$5,209,186	\$5,731,997	\$5,701,836	\$5,961,033
<i>Depreciation Expense</i>	\$1,343,824	\$2,316,244	\$1,651,950	\$1,780,108	\$1,798,004	\$1,869,669	\$1,993,885
<i>Property Taxes</i>	\$33,000	\$36,453	\$35,704	\$34,605	\$34,097	\$35,000	\$35,000
<i>Total Distribution Expenses</i>	\$7,546,024	\$6,379,732	\$6,912,306	\$7,023,899	\$7,564,098	\$7,606,505	\$7,989,918
<i>Regulated Return On Capital</i>	\$2,781,395	\$2,688,847	\$3,002,515	\$3,204,786	\$3,536,284	\$3,536,284	\$2,919,572
<i>PP&amp;E MIFRS Adjustment</i>	-\$35,724						
<i>Grossed up PILs</i>	\$5,427	\$269,000	-\$5,000	\$226,000	\$243,000	\$507,640	\$392,625
<i>Service Revenue Requirement</i>	\$10,297,122	\$9,337,579	\$9,909,820	\$10,454,685	\$11,343,382	\$11,650,429	\$11,302,115
<i>Less: Revenue Offsets</i>	-\$653,041	-\$559,021	-\$688,960	-\$523,338	-\$485,964	-\$354,051	-\$337,674
<i>Base Revenue Requirement</i>	\$9,644,081	\$8,778,558	\$9,220,860	\$9,931,347	\$10,857,418	\$11,296,378	\$10,964,441

2

3 The proposed Rate Base for the 2018 test year of \$51,531,560 reflects an increase of \$9,659,245

4 from the 2013 Board Approved. The increase suggests a prudent and reasonable investment in

5 the distribution assets and is necessary in order to meet other regulatory requirements such as

6 "obligation to connect" new growth and the need to maintain the highest electrical safety

7 standards. Table 25 above shows the derivation of the proposed 2018 rate base. This increase

8 represents an average annual increase of 4.61% from 2013 to 2018.

9 The utility is not proposing to recover any costs from any rate class renewable energy

10 connections/expansions, smart grid, and regional planning initiatives.

11

### 1.10.3 HISTORICAL FINANCIAL STATEMENTS<sup>46</sup>

The financial statements as follows are included appendix D of this Exhibit.

Year ended 31 December, 2015 - MIFRS

Year ended 31 December, 2016 - MIFRS<sup>47</sup>

### 1.10.4 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RESULTS<sup>48</sup> FILED

A detailed reconciliation between the financial results shown in WPI's RRR filings, Audited Financial Statements and with the regulatory financial results filed in the application is presented at Appendix C. Changes include revisions to various USoA accounts as instructed in the Board communication dated December 20, 2011.

### 1.10.5 ANNUAL REPORT<sup>49</sup>

WPI publishes an annual community report which is provided to its shareholders. The report includes financial statements and is presented annually to the shareholders in a special meeting. A copy of the 2016 report has been included in appendix F.

### 1.10.6 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE<sup>50</sup>

WPI has not issued debt or shares therefore has not published a prospectus.

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<sup>46</sup> Non-consolidated Audited Financial Statements for 2 most recent years (i.e. 3 years of historical actuals)

<sup>47</sup> Accounting Standards used for financial statements and when adopted

<sup>48</sup> Detailed reconciliation of AFS with regulatory financial results filed in the application, with identification of any deviations that are being proposed

<sup>49</sup> Annual Report and MD&A for most recent year of distributor and parent company, if applicable

<sup>50</sup> Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances

#### 1.10.7 OTHER RELEVANT INFORMATION

The general purpose financial statements are prepared in accordance with International Financial Reporting Standards adopted January 1, 2015.

### DISTRIBUTOR CONSOLIDATION

#### CONSOLIDATION<sup>51</sup>

WPI confirms that it has not acquired or amalgamated with another distributor.<sup>52</sup>

### APPENDICES

Appendix A	Business Plan
Appendix B	Satisfaction Survey Results
Appendix C	2018 Operating and Capital Budget Survey
Appendix D	Financial Statements
Appendix E	Reconciliation from Trial Balance to FS
Appendix F	Community (Annual) Report
Appendix G	List of Requested Approvals
Appendix H	2016 Scorecard
Appendix I	Initial Customer Survey

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<sup>51</sup> If a distributor has acquired or amalgamated with another distributor, identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement. A distributor must specify whether any commitments made to shareholders are to be funded through rates

<sup>52</sup> Description of actual savings as a result of consolidation compared to what was in the approved consolidation application and explanation of how savings are sustainable and the efficacy of any rate plan approved as part of the MAADs application



## **Appendix A – Business Plan**

# **WESTARIO POWER INC.**

## 2018 Business Plan

## Contents

<b>1. Executive Summary .....</b>	<b>4</b>
1.1. Mission .....	4
1.2. Strategic Goals and Initiatives (result) .....	4
1.3. Objectives (steps to get to the result) .....	5
<b>2. About the Utility.....</b>	<b>7</b>
2.1 Utility Description.....	7
2.2 Corporate Structure of the Utility.....	7
<b>3. Economic Overview and Customer Description .....</b>	<b>8</b>
3.1 Economic Overview of the Service Area .....	8
<b>4. Outcomes of the Renewed Regulatory Framework.....</b>	<b>9</b>
4.1 Customer Focus .....	9
4.2 Seeking Customer Input.....	9
4.3 Alignment of Goals to Needs and Preference of Customers .....	10
4.4 Public Policy Responsiveness .....	10
4.5 Financial Performance .....	11
<b>5. Performance Metrics and Benchmarking .....</b>	<b>12</b>
5.1 Past performances.....	12
5.2 Short and Long Term Capital Spending.....	15
5.3 Operational Costs .....	16
5.4 Return on Equity.....	16
5.5 Target Performance .....	17

5.6	Future Outlook.....	19
<b>6.</b>	<b>Strategy and Implementation Summary .....</b>	<b>20</b>
6.1	SWOT Analysis.....	20
6.2	Westario Power Inc. Strengths .....	20
6.3	Westario Power Inc. Weaknesses.....	21
6.4	Westario Power Inc. Opportunities.....	21
6.5	Westario Power Inc. Threats .....	22
<b>7.</b>	<b>Personnel Plan .....</b>	<b>23</b>
<b>8.</b>	<b>Financial Results.....</b>	<b>25</b>
8.1	Important Assumptions .....	25
8.2	Actual Return vs Allowed Return .....	26
8.3	Profit and Loss .....	28
	Rate Base and Revenue Deficiency .....	29
<b>9.</b>	<b>A Word from Management. ....</b>	<b>30</b>

## Table of Figures

Table 1- PEG Past Performance (Stretch Factor) .....	12
Table 2 - Summary of Cost Performance Results .....	13
Table 3 - Historical Rate Base .....	13
Table 4 - Historical Revenues .....	14
Table 5 - PEG Target Performance (Stretch Factor) .....	17
Table 6 - Target Cost Performance Results .....	17
Table 7 - Proposed Rate Base .....	17
Table 8 - Proposed Revenues .....	17
Table 9 - FTE Employment .....	24
Table 10 - Load and Customer Forecast Table .....	26
Table 11 - Operation Costs Table .....	26
Table 12 - Return on Equity Table .....	27
Table 13 - Profit and Loss Table .....	28
Table 14 - Table of Rate Base and Revenue Deficiency .....	29

# 1. Executive Summary

Westario Power Inc. ("Westario Power Inc." or the "Utility" or the "Applicant") is a fully licensed distributor of electricity pursuant to a distribution license ED-2002-0515 issued by the Ontario Energy Board (the "OEB, Board") under the Ontario Energy Board Act, 1998 (the "Act").

The utility develops and manages an electrical distribution network located in Southwestern Ontario and provides service to 15 communities throughout the Counties of Bruce, Grey, and Huron, and delivers electricity to residential and commercial customers via its distribution system. Westario Power Inc. earns income based on fixed and volumetric service charges for the distribution of this electricity. The service charge prices are set through a periodic rate making process via applications to the OEB. Through this process, the OEB limits the maximum rate of return on equity to 8.78%.

The current utility operates with revenues of \$10.8M and has applied for a yearly revenue requirement of \$11.0M for the 2018 test year. Westario Power Inc. plans to use the funds as follows:

- development and sustained maintenance of a modern, reliable infrastructure with minimal delivery interruptions
- improving client relationships and customer satisfaction, achieving excellence in Customer service
- expanding and modernizing our system's ability to monitor hydro loads and spikes to help minimize or reduce the impacts of outages
- Meet or exceed the OEB's – and other regulatory bodies' – quality, reliability, health, safety, environmental and other performance standards

## 1.1. Mission

Westario Power Inc. is an energy distribution corporation committed to providing quality, customer focused services in a safe, reliable, and cost effective manner. We will foster sustainable growth while respecting the environment and communities we serve.

## 1.2. Strategic Goals and Initiatives (result)

Westario Power Inc. has identified five key areas of focus that support the utility's mission:

1. create and sustain a healthy, safe and inclusive work place
2. improve client relationships and customer satisfaction
3. maintain our continuous plan of educating, communicating and promoting a combined conservation effort with our customers
4. Effectively manage plans for the further development and sustained maintenance of a modern, reliable infrastructure

5. enhance employee engagement in the workplace so that employees are motivated to contribute to the success of the organization

### ***1.3. Objectives (steps to get to the result)***

Westario Power Inc. plans on achieving its strategic goals by setting and meeting the following objectives;

1. focus efforts going forward on the continuous improvement of all aspects of its operations.
2. The Board of Directors in conjunction with a modernized Management Team has given precedence to excellence in Customer Service as a corporate priority. The entire workforce understands this commitment and have been empowered to hold each other accountable for results and constantly improving client relationships and customer satisfaction. Our goals are to achieve a 90 per cent transactional customer satisfaction score and an 85 per cent overall customer satisfaction (perception) score within five years.
3. Westario has initiated a plan to enhance the corporate website, incorporated a new online customer feedback tool, differentiated critical notifications, and will increase the number of ways in which bills may be paid.
4. Westario will strive to ease the burden of accessing information regarding resources that can assist customers in need as well as those interested in conservation or other forms of demand management - we are at 33% of our targeted conservation, and we expect to attain 50% of the target prior to the end of 2017.
5. Westario's Board has empowered senior management and tasked them with building trust and integrity in the workplace, as well as developing commitment and communication between all staff. Our goal is to have managers work to improve levels of engagement by removing barriers through open team and one on one discussions. The expectation is that this strategy will lead to a reduction in employee turnover and facilitate the training and development of staff in a limited qualified employment pool. Results will be measured through employee satisfaction surveys and appropriate measures such as turnover rates.
6. 74% of Westario's capital expenditures in 2017 – 2022 will be targeted to the renewal of the current system. However Westario will also incur costs related to expanding and modernizing its system's ability to monitor hydro loads and spikes to help minimize or reduce the impacts of outages. It is Westario's goal to retain its very positive results with respect to the reliability of its distribution system. System Average Interruption Duration Index (SAIDI) is a measure in hours of the average time that a customer's power is interrupted and is presented as hours of interruption per customer per year. In 2016 Westario Powers SAIDI was 2.41. System Average

Interruption Frequency Index (SAIFI) is an indicator of the average number of interruptions that customers experienced and presented as interruptions per customer per year. In 2016 Westario Powers SAIFI was 0.63. In addition to these indicators or system performance and reliability, Westario Power incurred no outages that were classified as major events.

7. Westario employees have worked over 250,000 hours without a lost time injury, and through the continued structured education and re-education of staff, the planned addition of a Coordinator Health, Safety and the Environment in 2017 and the commitment to sustainability the goal is to reach the next milestone of 300,000 hours in the spring of 2018.



## **2. About the Utility**

### ***2.1 Utility Description***

Westario Power Inc. (WPI) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Walkerton of the Municipality of Brockton. The address of the Corporation's registered office is 24 Eastridge Road, Walkerton, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the following communities, specifically:

- The Township of Huron-Kinloss (Villages of Ripley and Lucknow)
- The Municipality of Kincardine (Kincardine Ward 1)
- The Municipality of South Bruce (Villages of Mildmay and Teeswater)
- The Town of Saugeen Shores (Towns of Port Elgin and Southampton)
- The Township of North Huron (Town of Wingham)
- The Municipality of Brockton (Town of Walkerton and Village of Elmwood)
- The Town of Hanover (Town of Hanover)
- The Town of Minto (Towns of Harriston and Palmerston, Village of Clifford)
- The Municipality of West Grey (Village of Neustadt)

### ***2.2 Corporate Structure of the Utility***

The Corporation is generally owned by the communities they serve, specifically:

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto

And a minority stake (9.99%) by

- FortisOntario Inc.

Westario Power Inc. has nine directors who serve on its Board of Directors, each Director representing a shareholder of the corporation.

### **3. Economic Overview and Customer Description**

#### ***3.1 Economic Overview of the Service Area***

Located in Southwestern Ontario, WPI provides service to 15 communities throughout the Counties of Bruce, Grey, and Huron. These communities have a population of approximately 49,000 that has seen very slow growth.

WPI is home to a small number of larger manufacturers in the auto parts, food processing, furniture and industrial processing industries along with a stable base of smaller family owned businesses that manufacture and provide services. Throughout the service territory, WPI has Schools, Hospitals, Government and Recreation Facilities. These serve the following sectors: manufacturing; business services; retail; tourism; healthcare, transportation; construction, technology, and education. This past decade saw the manufacturing industry being challenged with cost pressures, with many closures and scale backs. There was a ripple effect from this on those businesses and employees that serve the manufacturing industries, and all businesses suffered from the general economic fallout from the financial crisis of 2008-2010. The economic impact has adversely affected employment throughout our service territory, resulting in a decrease in population and a shortage of skilled workers. While there has been some recovery and WPI is experiencing some growth in its customer base, it has not been to the same extent as other more urban centres in Ontario.

While not in our service territory the Bruce Nuclear Plant located between Saugeen Shores and Kincardine on Lake Huron employs over 4,000 people. This underpins the social and economic health and stability of the Counties of Bruce, Grey, and Huron. Currently, The Bruce Nuclear Plant is planning on refurbishing part of its nuclear generation. The life extension began on Jan. 1, 2016, and will continue through 2053, allowing Bruce Power's units to operate safely through to 2064. The life extension also includes the Major Component Replacement Project, which will begin in Unit 6 in 2020 and extend the life of Units 3-8 over a period of 16 years. Once this project is underway, it is anticipated that another 2,000 workers will be on-site at the Bruce Nuclear plant, increasing the entire area's long-term prosperity and employment opportunities.

WPI expects that over the planning horizon of this report the customer base will continue to experience low growth, approximately 1% annually.

## 4. Outcomes of the Renewed Regulatory Framework

On October 18, 2012, the Ontario Energy Board (“The Board”) issued its “Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach.” The report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that would; benefit existing and future customers, align customer and distributor interests, continue to support the achievement of important public policy objectives and place a greater focus on delivering value for money.

On March 5, 2014, the Board issued its report on “Performance Measurement for Electricity Distributors: A Scorecard Approach.” The report set out the Board’s policies on the measures that are to be used to assess a distributor’s effectiveness and improvement in achieving customer focus, operational effectiveness, public policy responsiveness, and financial performance to the benefit of existing and future customers.

With the above in mind, the next section provides an account of how Westario Power Inc. continues to improve its understanding of the needs and expectations of its customers and its delivery of services.

### 4.1 *Customer Focus*

Westario Power Inc. values customer input and feedback. Customers are engaged through education opportunities, surveys and directly by the utility for input on key initiatives. Customer satisfaction is measured on the Distributor Scorecard as well as bi-annual survey and incorporated into goal setting and planning processes with a focus on ensuring and improving customer satisfaction.

### 4.2 *Seeking Customer Input*

Customer satisfaction largely depends on whether a utility’s products or services fulfill a customer’s expectations—i.e., whether it meets, exceeds, or falls short. Quantifying customer satisfaction involves accumulating specific customer perceptions, measured through bi-annual surveys—typically using a 5- or 10-point scale, ranging from “extremely dissatisfied” to “extremely satisfied”. Customer Satisfaction Surveys are useful tools to understand how customers perceive the service they receive; it’s even more widespread in recent years with the evolution of Internet and app-based survey instruments.

In advance of its 2018 Cost of Service, the utility opened several lines of communication with its customers to get valuable feedback on the utility’s proposed capital and operational budget.

- Website based customer feedback survey promoted through social media, Facebook and Twitter
- Website Update
- Information letter via mail
- Annual Meeting

### ***4.3 Alignment of Goals to Needs and Preference of Customers***

Feedback received from customers indicates that they are largely in favour of our current spending levels and how it is distributed, and that they are very satisfied with the support and information that we provide on an ongoing basis. Both the future OM&A and capital expenditures proposed in the cost of service application are aligned with these customer preferences.

Westario does recognize that there is an opportunity to take advantage of the economical, effective techniques available for increasing customer awareness (and as a result customer satisfaction) and has planned to exploit the methods at its disposal. This also aligns with information/opinion provided by customers.

### ***4.4 Public Policy Responsiveness***

Since the start of the Conservation First Framework start on January 1st 2015 Westario Power Inc. has achieved 33.7% of its Net 2015 to 2020 Energy Savings target of 23.3 GWh. WPI continues its efforts to instill a conservation culture through promotion and adoption of conservation and demand management programs. To further assist our customers with conservation Westario Power has run a successful residential direct install program and launched a clothesline program for our residential customers and the Business Refrigeration Program for our General Service customers. With the introduction of the Ontario Fair Hydro Plan our large industrial customers are now eligible for the Industrial Conservation Initiative (ICI), and our customers are showing a great deal of interest.

Westario Power continues to market all IESO Provincial Programs with great success; experience gained over previous years has allowed us to direct marketing dollars towards the method that gains the most response from our customers. By way of example, radio marketing works well for our Small Business Lighting Program, while direct mail works best for our Home Assistance Program. To date participation in Programs by our larger Industrial customers increases with our personalized approach including direct phone calls and site visits. Focusing our efforts in this manner has made Westario Power more cost effective each year, reaching 33% of our target while spending only 14.5% of our budget.

As the Programs and their offerings are modified or supplemented we reach out to our customers frequently via radio, newspaper, direct mail and mail drops, as well as bill inserts. We have several customer events per year and also rent booths at local venues, such as the Lighthouse Blues Festival in Kincardine, which produce superior opportunities for customer interaction and knowledge sharing.

#### ***4.5 Financial Performance***

Westario Power Inc. continues to record solid financial performance metrics. Key factors to this financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and expense expenditures to budget. The Business Plan and Distribution System Plan will serve an important role in providing the future direction of financial expenditure and performance. Financial Results are discussed in detail at section 8 of this Business Plan.

## 5. Performance Metrics and Benchmarking

Another development that has brought utility customer satisfaction to the forefront is the use of benchmarking studies, which compare levels of customer satisfaction across utilities. High scores in benchmarking studies can show that utilities are recognized as being the best in class.

Perhaps the most widely-known benchmark of efficiency rating comes from the PEG report which surveys all 77 utilities in Ontario. The PEG analysis is one of the only instruments that compares utilities' cost efficiencies on a consistent basis and is publicly available. PEG produces an annual report that provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring.

As a result of this study, Westario Power Inc. has expended considerable effort to understand the drivers of their efficiency ranking, and has undertaken initiatives to improve their scores.

The following section reviews past performances and introduces future performance measures based on load forecast and forecasted capital and operational expenditures.

### 5.1 Past performances

The PEG past performance table below shows Westario Power Inc.'s rating for the last 3 historical years of business. The PEG report uses econometrics to determine the cost efficiency of distributors. Group 1 (of 5) is ranked as the most efficient group. As can be seen, Westario Power Inc. has maintained an effectual ranking of 3.

**Table 1- PEG Past Performance (Stretch Factor)**

	2014	2015	2016
<i>Stretch Factor Cohort - Annual Result</i>	3	3	3

The percentage difference between actual and predicted cost is the measure of cost performance. Utilities with larger negative differences between actual and predicted costs, such as Westario Power Inc., are considered to be better cost performers and therefore eligible for lower stretch factors. Historically, Westario Power Inc.'s difference between its actual costs and predicted costs have increased indicating that the utility is constantly improving its cost performances.

**Table 2 - Summary of Cost Performance Results**

	2013	2014	2015	2016
<i><b>Cost Benchmarking Summary</b></i>	<b>(History)</b>	<b>(History)</b>	<b>(History)</b>	<b>(History)</b>
<i><b>Actual Total Cost</b></i>	12,497,407	12,319,563	<b>12,627,249</b>	<b>12,861,750</b>
<i><b>Predicted Total Cost</b></i>	12,221,387	12,841,824	<b>13,407,371</b>	<b>13,175,951</b>
<i><b>Difference</b></i>	276,020	(522,261)	<b>(781,122)</b>	<b>(314,201)</b>
<i><b>Percentage Difference (Cost Performance)</b></i>	<b>2.2%</b>	<b>-4.15%</b>	<b>-6.0%</b>	<b>-2.4%</b>
<i><b>Stretch Factor Cohort - Annual Result</b></i>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>

The utility's historical capital additions have also been historically stable which has been achieved by means of a solid well tracked budget process.

**Table 3 - Historical Rate Base**

	2013	2014	2015	2016
<i><b>Capital Additions</b></i>	<b>40,477,616</b>	<b>45,199,535</b>	<b>48,244,511</b>	<b>51,629,414</b>

The utility's Rate Base has increased proportionally to its capital investments and as such has remained historically as stable as its other financial metrics.

**Table 4 - Historical Revenues**

	Year	2013	2014	2015	2016
<b>Residential</b>	Fixed	\$12.33	\$12.50	\$12.66	\$16.31
	Variable	\$0.0154	\$0.0156	\$0.0158	\$0.0121
	Cust/Conn	19,932	20,040	20,089	20,292
	kWh	194,642,138	193,528,854	188,956,242	179,260,363
	<b>Revenues from Fixed</b>	<b>\$2,949,139</b>	<b>-\$2,964,527</b>	<b>\$3,051,921</b>	<b>\$3,971,452</b>
	<b>Revenues from Variable</b>	<b>\$2,997,489</b>	<b>-\$3,177,650</b>	<b>\$2,985,509</b>	<b>\$2,169,050</b>
<b>General Service &lt; 50 kW</b>	Fixed	\$23.66	\$23.99	\$24.30	\$24.74
	Variable	\$0.0107	\$0.0108	\$0.0109	\$0.0111
	Cust/Conn	2,504	2,533	2,532	2,537
	kWh	65,332,255	67,617,018	66,434,816	65,187,475
	<b>Revenues from Fixed</b>	<b>\$710,936</b>	<b>-\$701,566</b>	<b>\$738,185</b>	<b>\$753,036</b>
	<b>Revenues from Variable</b>	<b>\$699,055</b>	<b>-\$701,740</b>	<b>\$724,139</b>	<b>\$723,581</b>
<b>General Service &gt; 50 kW - 4999 kW</b>	Fixed	\$218.39	\$221.45	\$224.33	\$228.37
	Variable	\$2.0521	\$2.0808	\$2.1079	\$2.1458
	Cust/Conn	259	235	235	236
	kWh	170,762,458	170,816,518	176,860,411	178,050,372
	kW	476,639	446,787	460,418	460,265
<b>Transformer Allowance</b>	kW	134,841	139,968	144,247	167,544
	\$	\$0.6000	\$0.60	\$0.60	\$0.60
	<b>Revenues from Fixed</b>	<b>\$678,756</b>	<b>-\$733,790</b>	<b>\$631,265</b>	<b>\$646,744</b>
	<b>Revenues from Variable</b>	<b>\$897,205</b>	<b>-\$890,181</b>	<b>\$883,968</b>	<b>\$887,110</b>
<b>Unmetered Scattered Load</b>	Fixed	\$6.01	\$6.09	\$6.17	\$6.28
	Variable	\$0.0225	\$0.0228	\$0.0231	\$0.0235
	Cust/Conn	58	57	57	57
	kWh	288,532	286,287	290,832	275,586
	<b>Revenues from Fixed</b>	<b>\$4,183</b>	<b>-\$4,327</b>	<b>\$4,220</b>	<b>\$4,258</b>
	<b>Revenues from Variable</b>	<b>\$6,492</b>	<b>-\$4,327</b>	<b>\$6,718</b>	<b>\$6,476</b>
<b>Sentinel Lighting</b>	Fixed	\$5.41	\$5.49	\$5.56	\$5.66
	Variable	\$27.9969	\$28.3889	\$28.7580	\$29.2756
	Cust/Conn	9	8	8	8
	kWh	17,011	16,498	15,251	7,843



	kW	19	15	16	17
<b>Streetlighting</b>	<b>Revenues from Fixed</b>	<b>\$552</b>	<b>-\$584</b>	<b>\$534</b>	<b>\$509</b>
	<b>Revenues from Variable</b>	<b>\$532</b>	<b>-\$476</b>	<b>\$460</b>	<b>\$498</b>
	Fixed	\$5.66	\$5.74	\$5.81	\$5.91
	Variable	\$4.7547	\$4.8213	\$4.8840	\$4.9719
	Cust/Conn	6,020	6,067	6,107	6,215
	kWh	4,930,318	4,957,256	3,576,079	2,112,226
	kW	13,618	13,131	7,486	3,406
	<b>Revenues from Fixed</b>	<b>\$408,878</b>	<b>-\$409,286</b>	<b>\$425,780</b>	<b>\$440,732</b>
<b>Total</b>	<b>Revenues from Variable</b>	<b>\$64,752</b>	<b>-\$72,162</b>	<b>\$36,559</b>	<b>\$16,937</b>
	Cust/Conn	28,970	28,970	28,970	29,286
	kWh	435,842,799	435,842,799	435,842,799	424,618,280
	kW	4,258,026	4,258,026	4,258,026	5,188,177
	<b>Revenues from Fixed</b>	<b>\$4,752,444</b>	<b>-\$4,814,081</b>	<b>\$4,851,905</b>	<b>\$5,816,732</b>
	<b>Revenues from Variable</b>	<b>\$4,665,525</b>	<b>-\$4,846,536</b>	<b>\$4,637,354</b>	<b>\$3,803,652</b>
	<b>Total</b>	<b>\$9,417,969</b>	<b>-\$9,660,616</b>	<b>\$9,489,259</b>	<b>\$9,620,384</b>

The utility's revenues per class and overall revenues have also been historically steady.

Due to the moderate changes in rates year over year bill impacts have been subject to modest increases during the IRM years – in Westario Power Inc.'s case from 2014 to 2017. Bill impacts also include the effects of the disposition of deferral and variance accounts from pass-through charge (regulatory assets).

## 5.2 Short and Long Term Capital Spending

Westario Power Inc. is very conscious of providing attention to its aging infrastructure. In its Distribution System Plan, it has presented graphical representations of the ages of its major system components and an overall representation of the average age of its system in historical and projected years. Using this information, it then forecasts the level of future capital investments to maintain a reasonable average life expectancy.

### 2017-2018 Capital Planning

Priorities and strategies for budget development include the following:

- ✓ Poletran Conversion Port Elgin – 3 years remaining in a 10 year project
- ✓ Substation Upgrades
- ✓ #6 Copper Replacements
  - Decrepit Pole Replacement
  - Distribution Transformer Replacement

- SCADA
- Smart Meter Deployment
- Cyme and GIS integration
- Vehicle replacement

## **5-10 Year Capital Planning to Accommodate Growth and Aging Infrastructure**

Westario Power Inc. places a high priority on balancing its obligations to accommodate growth while addressing the upkeep and replacement of its aging infrastructure. The following are the actions that Westario Power Inc. plans to take over the next 5-10 years in order to bring about the desired future:

- Priority will be given to Westario Power Inc.'s legislated/mandatory requirements; for example:
  - System access including the obligation to connect customers – mostly Residential, but Commercial as well.
  - Accommodate City, Region, Ministry et al mandatory project requirements.
  - Meet the OEB's – and other regulatory bodies' – quality, reliability, health, safety and environmental performance standards.
- To safeguard the major investments already made in its key assets, continue to maintain and upgrade as necessary.
- Continue to invest prudently in modern information technology in order to provide customers with clear meaningful bills that are able to assist them in managing their electricity usage.
- Undertake optimal life extension activities. For example:
  - Intensify condition monitoring to minimize uncertainty regarding decisions relating to equipment maintenance, renewal and replacement.
  - Where economically viable, refurbish cables and equipment in-situ to extend their reliable working lives.

### **5.3 Operational Costs**

Westario Power Inc. continually reviews its business and operational goals against its workforce needs, its financial state and the impact on its customers. Westario Power Inc. analyzes its operation budget on a monthly basis to help ensure results are aligned with operational budgets. The utility is mindful that sustained increases in operation costs increases pressure on the rates charged to customers. Therefore, operational planning focuses mainly on efficiency and improving operational effectiveness wherever possible.

### **5.4 Return on Equity**

The actual return on equity for 2016 is 6.66% which indicates a slight under earning when compared to the Board Approved 2013 rate of return. Further information on the topic of Return on Equity is can be found at Section 8.

## 5.5 Target Performance

This section summarizes the projected performance of the utility and the long-term perspective on the health and age of the distribution assets.

It captures the results of Westario Power Inc.'s projected PEG performance, Rate Base and projected revenues based on its priorities for capital investments and operational expenditures.

**Table 5 - PEG Target Performance (Stretch Factor)**

	2017	2018
<i>Stretch Factor Cohort - Annual Result</i>	3	3

**Table 6 - Target Cost Performance Results**

	2017	2018
<i>Cost Benchmarking Summary</i>	(Bridge)	(Test Year)
<i>Actual Total Cost</i>	13,052,326	13,605,815
<i>Predicted Total Cost</i>	13,807,117	14,407,521
<i>Difference</i>	(754,791)	(801,707)
<i>Percentage Difference (Cost Performance)</i>	-5.6%	-5.73%
<i>Stretch Factor Cohort - Annual Result</i>	3	3

**Table 7 - Proposed Rate Base**

	2017	2018
<i>Capital Additions</i>	4,309,442	4,891,244

**Table 8 - Proposed Revenues**

	Year	2017	2018 CDM Adjusted
<i>Residential</i>	Fixed	\$20.06	\$24.41

<b>General Service &lt; 50 kW</b>	Variable	\$0.0082	\$0.0061
	Cust/Conn	20,567	20,786
	kWh	187,825,276	182,208,797
	<b>Revenues from Fixed</b>	\$4,950,768	\$6,088,781
	<b>Revenues from Variable</b>	\$1,540,167	\$1,103,235
	Fixed	\$25.14	\$25.14
	Variable	\$0.0113	\$0.0138
<b>General Service &gt; 50 kW - 4999 kW</b>	Cust/Conn	2,574	2,578
	kWh	65,288,799	63,336,490
	<b>Revenues from Fixed</b>	\$776,524	\$777,731
	<b>Revenues from Variable</b>	\$737,763	\$875,324
	Fixed	\$232.02	\$232.02
	Variable	\$2.1801	\$2.8578
	Cust/Conn	208	207
	kWh	166,312,517	161,339,327
<b>Transformer Allowance</b>	kW	447,732	434,344
	kW	165,000	165,000
	\$	\$0.60	\$0.60
	<b>Revenues from Fixed</b>	\$579,122	\$575,554
	<b>Revenues from Variable</b>	\$877,102	\$1,142,252
<b>Unmetered Scattered Load</b>	Fixed	\$6.38	\$7.07
	Variable	\$0.0239	\$0.0265
	Cust/Conn	55	54
	kWh	273,985	261,852
	<b>Revenues from Fixed</b>	\$4,211	\$4,567
	<b>Revenues from Variable</b>	\$6,548	\$6,930
<b>Sentinel Lighting</b>			
	Fixed	\$5.75	\$6.43
	Variable	\$29.7440	\$37.8382
	Cust/Conn	8	8
	kWh	14,199	13,545
	kW	17	17
<b>Streetlighting</b>	<b>Revenues from Fixed</b>	\$552	\$604
	<b>Revenues from Variable</b>	\$506	\$626
	Fixed	\$6.00	\$4.86
	Variable	\$5.0515	\$4.0957
<b>Total</b>	Cust/Conn	6,181	6,193
	kWh	2,196,082	2,137,697
	kW	6,846	6,664
	<b>Revenues from Fixed</b>	\$445,032	\$361,540
	<b>Revenues from Variable</b>	\$34,583	\$27,294
<b>Total</b>	Cust/Conn	29,538	29,772
	kWh	421,636,873	409,035,855
	kW	6,181,888	7,307,537
	<b>Revenues from Fixed</b>	\$6,756,209	\$7,808,778
	<b>Revenues from Variable</b>	\$3,196,669	\$3,155,661
	<b>Total</b>	\$9,952,878	\$10,964,439

## **5.6 *Future Outlook***

In 2016, Westario Power Inc. took steps to weave reliability and sustainability into all aspects of its operations – from power supply to encouraging and helping customers incorporate green features into their homes and businesses. Even though Westario Power Inc. is a small utility, planning for the future is something Westario Power Inc. has always done well and will continue to do so in future years.

Westario Power Inc. also set out to leverage technology in order to improve the customer experience. Since then, the utility has launched a series of technology enhancements to increase communication with its customers, upgrade its website to include a capital projects and educational tools about the industry and regulatory processes.

## 6. Strategy and Implementation Summary

### 6.1 SWOT Analysis

The use of the SWOT (strengths, weaknesses, opportunities, and threats) analysis is new to the utility however it has proven to be an important management tool that has helped evaluate key aspects of the utility to identify factors that will drive performance and decision making going forward.

Strengths and Weaknesses are generally associated with internal factors such as:

- ✓ Financial resources, such as funding, ability to meet its financial obligations.
- ✓ Physical resources, such as your utility's location, facilities and equipment.
- ✓ Human resources, such as employees, volunteers and target audiences.
- ✓ Access to natural resources, trademarks, patents and copyrights.
- ✓ Current processes, such as employee programs, department hierarchies and software systems.

Opportunities and Threats are associated with external factors such as:

- ✓ Market trends, like new products and technology or shifts in audience needs.
- ✓ Economic trends, such as local, national and international financial trends.
- ✓ Funding, such as donations, legislature and other sources.
- ✓ Demographics, such as a target audience's age, race, gender and culture.
- ✓ Political, environmental and economic regulations.

### 6.2 Westario Power Inc. Strengths

- ✓ **Strength 1**
  - Current staff are knowledgeable and dedicated
- ✓ **Strength 2**
  - Favourable wage and benefit scale for the area
- ✓ **Strength 3**
  - Financially stable organisation
- ✓ **Strength 4**
  - Improvements in customer service
- ✓ **Strength 5**
  - Effective management team
- ✓ **Strength 6**

- Supportive Board of Directors

### **6.3 Westario Power Inc. Weaknesses**

- ✓ **Weakness 1**
  - Aging infrastructure – investment - resources required
- ✓ **Weakness 2**
  - Consistent use of contractors in certain functional areas – knowledge and know how resides outside of the organization
- ✓ **Weakness 3**
  - Legacy issues created by former employees –
- ✓ **Weakness 4**
  - Historical Staff turnover, positions left vacant – lack of backup and training – (improvement in processes in place)
- ✓ **Weakness 5**
  - Deficiency in entire system monitoring due to incomplete utilization of available technologies – (addressed in the DSP)
- ✓ **Weakness 6**
  - Widely distributed service areas

### **6.4 Westario Power Inc. Opportunities**

- ✓ **Opportunity 1**
  - Growth – change in demographics, retirees moving to smaller communities
- ✓ **Opportunity 2**
  - Energy conservation
- ✓ **Opportunity 3**
  - Procurement - Investigate alternative suppliers

## **6.5 Westario Power Inc. Threats**

In addition to its many regulatory responsibilities, the business of distributing electricity has several inherent risk considerations that must be managed successfully to ensure business continuity.

The following areas of exposure were identified and evaluated as part of the Westario Power Inc. risk profile:

✓ **Threat 1**

- Increased regulatory requirements, OEB, environmental

✓ **Threat 2**

- Province wide concern about the rising total cost of electricity without regard for the distinct components of electricity service, namely commodity, transmission and distribution.

✓ **Threat 3**

- Lack of skilled employment pool in the area



## 7. Personnel Plan

Westario Power Inc. is facing the same challenges the overall electricity industry is relative to its aging demographics and infrastructure. Matching the resource capability with the work demands in the electricity sector requires planning. Westario Power Inc. is actively involved in workforce planning. There are several factors with implications in successful workforce planning, including:

- a shortage of proficiently skilled labour,
- increased competition for skilled staff,
- the changing client / citizen demographics, expectations, and perceptions, and
- our new/refocus on customer / stakeholder demands, which require a new performance management standard.

Westario Power Inc. has opted to invest in its current staff members and has identified prospective value added positions necessary to meet expectations and succession planning requirements.

WPI's current organization chart includes the following positions.

- ◆ 1 President and CEO
- ◆ 1 CFO
- ◆ 1 Executive Assistant, Board Secretary, Human Resource Advisor
- ◆ 1 Line Superintendent
- ◆ 2 Line Supervisors
- ◆ 1 VP of Operations
- ◆ 1 Planning and Design Coordinator
- ◆ 1 Customer Service Manager
- ◆ 1 Accounting Supervisor
- ◆ 1 Financial Analyst
- ◆ 2 lead hands
- ◆ 8 power line maintainers
- ◆ 2 engineering technicians
- ◆ 1 draft/designer
- ◆ 1 metering technician
- ◆ 2 operations clerks
- ◆ 3 finance clerks
- ◆ 1 stores keeper/warehouse person
- ◆ 1 collections representative
- ◆ 3 customer service representative
- ◆ 2 billings clerks

The CFO is responsible for all internal and external financial activities of the company including liaison with banks and other financial institutions; providing financial reports to its Shareholder; development of budgets and tracking the company's progress towards achieving approved financial targets and capital investments. The CFO is the liaison with regulatory bodies including the OEB; accountants,

purchasing and stores; Canada Revenue Agency, IESO and Hydro One, as well as conservation and demand management.

The Planning and Design Coordinator is responsible for preparation of plans, cost estimates, and layouts for new/upgraded service installations; design and cost new expansions

The Line Superintendent in collaboration with the VP of Operations (currently the Planning and Design Coordinator) oversees the operation of the distribution system. The Line Superintendent, is responsible for ensuring that employees, contractors and public remain safe when interfacing with the distribution system; ensuring the reliable operation – including maintenance and repair – of the distribution system and general plant; and ensuring that customer requests for electricity service are provided promptly and according to code

The Manager of Customer Service is responsible for customer service, billing, and collections and metering.

The Executive Assistant is responsible for providing human resource support including salary and benefit services; maintaining effective communications throughout the company; and ensuring that operations and office staff have access to the highest quality information and training to allow them to perform their work safely and efficiently. This position is the focal point for communication with the Board of Directors.

The linemen are responsible for building and maintaining the electrical power system from the point of generation all the way to the customer's meters. Lines may be on overhead structures or in underground vaults or trenches. Locations may be in rural and metropolitan areas. This position typically requires trade certification or enrollment in an apprenticeship program.

Westario does have a plan to restructure the above staff compliment with the intent of better aligning its resources with the attainment of the strategic goals and initiatives that are detailed above while at the same time not incurring additional cost. This will be attained by acquiring staff that will replace functions currently performed by contractors and acquired services.

**Table 9 - FTE Employment**

	<b>2017 Current Levels</b>	<b>2017 Year End Levels</b>	<b>2018 Year End Levels</b>
Executive	3	3	4
Management	5	5	4
Union	23	25	26
Salary	1	1	1
Total	32	34	35

## 8. Financial Results

WPI's financial performance continues to remain strong despite recent economic and industry challenges posed by increased activity and complex operational demands. The main factors contributing to the utilities financial success were a strong focus on performance and associated financial management, efficiencies achieved throughout the financial year including reductions in corporate overhead expenses, and a continued focus on improving business planning and monthly financial reporting activities. The Distribution System Plan (presented later in this document) will support the capital and maintenance programs needed to maintain and enhance the reliability of WPI's distribution system as we move into the future.

With this filing, WPI looks to the future in terms of sustaining and strengthening a solid and sound foundation. By building on this foundation through continuous improvement, technological investment, and sound financial investment, WPI plans to continue to provide the highest value in electrical distribution services, at the lowest cost, to the communities we serve and individual clients. The past 3 years net income of \$1.92M, \$1.91M and \$1.94M for 2014, 2015 and 2016 respectively has allowed the corporation to reinvest in the distribution system it supports while at the same time compensating its shareholders accordingly.

### ***8.1 Important Assumptions***

Load forecasting affects all aspects of the utility's future including supply capacity of the distribution system and revenue requirements. The load forecast also the potential to be significantly impacted by Conservation and Demand Management targets. Each LDC has a target to reduce its annual energy supplied (kWh). Westario Power Inc.'s target is 23,313,365 kWh in energy reduction 2015-2020.

Since expenses and revenues are often closely tied to the utility's customer count and load, it is important to go over the utility's historical and projected load prior to discussing financial results. Westario Power Inc. projects a small customer increase in the residential class while all other rate classes expect no growth.

Overall, the trend table shows a slow growth in customers. Westario Power Inc.'s load and customer projections support the Economic Outlook Summary, which indicates that customer growth is expected to remain modest in 2017 and 2018. The second important assumption is the stability of operating costs. Table 14 below shows the utility historical operating costs and projected costs for 2017.

**Table 10 - Load and Customer Forecast Table**

	Year	2013	2014	2015	2016	2017	2018 Final Adjusted (kWh)
<b>Residential</b>	Cust/Conn	19,932	20,040	20,089	20,292	20,567	20,786
	kWh	196,769,022	190,196,716	181,203,663	173,850,940	187,825,276	187,185,327
	kW						
<b>General Service &lt; 50 kW</b>	Cust/Conn	2,504	2,533	2,532	2,537	2,574	2,578
	kWh	67,287,328	66,865,508	64,887,895	65,456,901	65,288,799	65,066,351
	kW						
<b>General Service &gt; 50 to 4999 kW</b>	Cust/Conn	259	235	235	236	208	207
	kWh	168,598,455	174,937,862	177,010,310	172,754,187	166,312,517	165,745,865
	kW	442,859	459,073	461,953	444,828	447,732	446,207
<b>Unmetered Scattered Load</b>	Cust/Conn	58	57	57	57	55	54
	kWh	287,354	286,287	284,934	268,395	273,985	269,004
	kW	-	-	-		-	-
<b>Sentinel Lighting</b>	Cust/Conn	9	8	8	8	8	8
	kWh	16,669	16,488	10,250	6,779	14,199	13,915
	kW	17	15	17	14	17	17
<b>Street Lighting</b>	Cust/Conn	6,020	6,067	6,135	6,169	6,181	6,193
	kWh	4,923,873	3,012,105	3,932,787	2,481,449	2,196,082	2,196,082
	kW	13,627	6,188	6,443	7,740	6,846	6,846
<b>Total</b>	Cust/Conn	28,782	28,939	29,055	29,297	29,593	29,826
	kWh	437,882,702	435,314,966	427,329,838	414,818,651	421,910,858	420,476,544
	kW	456,503	465,276	468,413	452,582	454,595	453,070

**Table 11 - Operation Costs Table**

	2013	2014	2015	2016	2017	2018
<i>Operations</i>	\$381,172	\$278,333	\$264,131	\$390,384	\$419,927	\$580,760
<i>Maintenance</i>	\$1,769,218	\$1,574,688	\$1,398,823	\$1,720,696	\$1,560,909	\$1,386,773
<i>Billing and Collecting</i>	\$1,268,735	\$1,224,007	\$1,131,494	\$1,043,796	\$1,130,000	\$1,202,000
<i>Community Relations</i>	\$11,983	\$15,351	\$34,398	\$29,681	\$30,000	\$31,000
<i>Administrative and General</i>	\$2,278,629	\$2,132,273	\$2,380,340	\$2,547,440	\$2,561,000	\$2,760,500
<b>Total</b>	<b>\$5,709,737</b>	<b>\$5,224,652</b>	<b>\$5,209,186</b>	<b>\$5,731,997</b>	<b>\$5,701,836</b>	<b>\$5,961,033</b>

## 8.2 Actual Return vs Allowed Return

✓ **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

Westario's 2016 results reflect a solid 1.07 (11,405,094/10,659,017) Current Ratio which exceeds the ratio over the last 5 years. This reflects Westario's continued solid financial liquidity to support its operations and investments.

✓ **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

Westario's 2016 leverage ratio of Total Debt decreased to 0.411 ((1,117,733+11,754,941)/31,313,274) over 2015's ratio of 0.65. This reduction reflects Westario's ability to operate and maintain a safe and reliable distribution system as well as fund new capital projects.

✓ **Profitability: Regulatory Return on Equity – Deemed (included in current rates)**

Westario's current distribution rates were approved by the Ontario Energy Board which includes an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

✓ **Profitability: Regulatory Return on Equity – Achieved (2016)**

Westario earned a return of equity of 6.66% in 2016, which is down from 8.02% in 2015. The regulatory return on equity remained within the +/- 3% of the deemed regulatory return on equity. Westario has achieved an average return on equity of 8.57% over the last five years, reflecting stable earnings to support the operations and re-investment in the distribution assets, while maintaining a customer focused operation that is safe and reliable.

**Table 12 - Return on Equity Table**

	2013 BA	2014	2015	2016
<i>Return on Equity</i>	8.98%	11.90%	8.02%	6.66%

### 8.3 Profit and Loss

Outlined below, and in the following table, are some of the intrinsic facets of the historical and projected profit and loss for Westario Power Inc.:

Operating Revenues for 2017 and 2018 are forecast to be \$12.6M and \$12.2M.

Cost and Expenses for 2017 and 2018 are forecasted to be \$8.6M and \$8.9M Taxes for 2017 and 2018 are forecasted to be \$508K and \$384K.

The net profit for 2017 and 2018 is forecast to be \$1.9M and \$1.8M, respectively.

As reflected in the Past Performance Table the Company realized a profit ranging from \$2.2M in 2013 to \$1.9M in 2016.

Management expects to maintain the same cost efficient operations in the coming years.

**Table 13 - Profit and Loss Table**

	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected
<i>Derivation of Utility Income</i>		2013	2014	2015	2016	2017	2018
<b>Operating Revenues</b>							
<i>Distribution Revenues</i>	9,644,081	10,393,249	9,513,163	9,521,478	9,607,378	11,211,607	10,964,441
<i>Other Revenue</i>	653,041	559,021	688,960	523,338	485,964	354,051	337,674
<b>Total Operating Revenues</b>	10,297,122	10,952,270	10,202,123	10,044,817	10,093,342	11,565,658	11,302,115
<b>OM&amp;A Expenses</b>	6,202,200	5,697,237	5,212,152	5,196,686	5,706,997	5,701,836	5,961,033
<i>Depreciation &amp; Amortization</i>	1,343,824	2,270,482	1,542,240	1,653,966	1,638,686	1,869,669	1,993,885
<i>Property and Taxes</i>	33,000	36,453	34,605	34,097	36,453	35,000	35,000
<b>Total Costs &amp; Expenses</b>	7,579,024	8,004,172	6,788,997	6,884,748	7,382,136	7,606,505	7,989,918
	-35,724						
<i>Deemed Interest Expenses</i>	1,277,561	427,916	1,374,311	1,095,382	487,860	1,585,156	1,109,784
<b>Total Expenses</b>	8,820,861	8,432,088	8,163,308	7,980,131	7,869,996	9,191,661	9,099,702
<b>Utility Income before Income Taxes / PILs</b>	1,476,261	2,520,182	2,038,815	2,064,686	2,223,346	2,373,997	2,202,413
<i>PILs / Income Taxes</i>	5,427	269,000	-5,000	226,000	243,000	507,640	392,625
<i>Adjustments for FS purposes (donations)</i>		-22,162	-20,141	-29,329	-41,817		
<b>Utility Income</b>	1,470,834	2,229,020	2,023,674	1,809,357	1,938,529	1,866,357	1,809,788

## Rate Base and Revenue Deficiency

As shown on the following table, Westario Power Inc.'s revenue deficiency has increased to \$819K in 2016 from a surplus of \$557K in 2014 supporting the need for WPI to re-establish its rates based on its costs.

**Table 14 - Table of Rate Base and Revenue Deficiency**

	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected
	2013	2013	2014	2015	2016	2017	2018
<b>Utility Income</b>	<b>1,470,834</b>	<b>2,235,859</b>	<b>2,101,708</b>	<b>1,908,574</b>	<b>1,940,884</b>	<b>1,866,357</b>	<b>1,809,788</b>
Gross Fixed Assets (year end)	55,062,212	58,495,044	63,000,859	46,086,195	51,158,947	52,164,616	57,055,860
Capital Expenditures (additions)	0	6,897,841	4,327,200	3,865,698	5,385,500	4,309,446	4,891,244
Accum Depreciation	-19,472,060	-21,053,346	-22,705,296	-3,460,423	-5,716,587	-7,026,461	-9,020,346
<b>Adjustment as per ROE Calculations</b>				211,281	-532,653		
Average Net Fixed Assets	35,590,152	37,441,698	40,295,563	42,625,772	45,442,360	45,138,156	48,035,514
Utility Rate Base	41,876,275	38,741,048	42,763,834	45,494,449	48,863,836	51,958,700	51,531,560
Deemed Equity Portion of Rate Base	16,750,510	15,496,419	17,105,534	18,197,779	19,545,534	20,783,480	20,612,624
Income/(Equity Portion of Rate Base)	8.78%	5.77%	4.91%	4.20%	3.97%	3.59%	3.51%
Indicated Rate of Return	6.56%	6.86%	7.95%	6.38%	4.97%	6.64%	5.67%
Approved Rate of Return	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	5.67%
Sufficiency / (Deficiency) in Return	(0.08%)	0.22%	1.30%	(0.26%)	(1.68%)	0.00%	0.00%
Equity	40%	40%	40%	40%	40%	40%	40%
Short Term Debt	4%	4%	4%	4%	4%	4%	4%
Long Term Debt	56%	56%	56%	56%	56%	56%	56%
Equity Return	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.78%
Short Debt Return	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	1.76%
Long Debt Return	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	3.72%
Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
<b>Net Revenue Sufficiency / (Deficiency)</b>	<b>-33,362</b>	<b>83,446</b>	<b>557,269</b>	<b>-117,366</b>	<b>-819,538</b>	<b>0</b>	<b>0</b>

## 9. A Word from Management.

Westario Power Inc. would like to focus its efforts going forward on the continuous improvement of all aspects of its operations. Our objectives recognize the responsibilities that we have to all of our stakeholders. Our customers should recognize Westario's desire to fulfill their expectations by delivering their hydro in a safe and reliable manner while being conscious of the impact on hydro bills. The communities that we serve should feel confident in that the capital and maintenance programmes we conduct are well managed and in the best interest of the infrastructure requirements and that they can count on us for a dependable and safe electricity distribution network. Our employees should recognize our desire and actions to create and sustain a healthy, safe and inclusive work place.

Our future efforts will continue to be affected by both evolving individual matters and the convergence of developing factors such as clean energy demands and policies, global warming, enhancements to technologies and customer demands for equitably priced reliable electricity. We feel strongly that our renewed focus on customer service, employee engagement and retention, our desire to continuously improve and our collaborative, strategic and operational practices and will allow us to effectively manage through any prevailing or shifting obstacles.

Westario's Board of Directors is comprised of representatives from the communities that we serve and therefore is explicitly interested in the organizations viability as well as its strategic direction and ability to meet its strategic targets as laid out in the Board approved strategic plan. The Board meets regularly and remains well informed through the collaborative efforts of a dedicated goal oriented management team. The reports to the Board include financial performance, customer service performance, status with respect to corporate strategies and other performance related measures.

The Board of Directors in conjunction with a modernized Management Team has given precedence to excellence in Customer service as a corporate priority. The entire workforce understands this commitment and knows to hold each other accountable for results and constantly improving client relationships and customer satisfaction.

Our in house customer service team is fundamental to the success of our strategic objectives and is very dedicated in the work that they perform. Our customer service employees share important information with customers about billing, energy use and energy conservation. They are generally the point of first contact for information and function in conjunction with such things as our corporate website, customer bills, and social media. Our goals are to achieve a 90 per cent transactional customer satisfaction score and an 85 per cent overall customer satisfaction (perception) score within five years.



We offer energy conservation and demand management programs to each customer segment in our service area. For the 2015-2020 period, we are mandated by the Province of Ontario to achieve energy savings of 23.303GWh with a percentage of the total target allocated for each year. Westario Power is confident that we will reach this goal by maintaining our continuous plan of educating, communicating and promoting a combined conservation effort with our customers. Current reports indicate we are at 33% of our targeted conservation and we expect to attain 50% of the target prior to the end of 2017. In a further effort to communicate with its customers Westario has initiated a plan to enhance the corporate website, incorporated a new online customer feedback tool, differentiated critical notifications, and will increase the number of methods in which bills may be paid.

Westario is very cognizant of the fact that there are customers who may have difficulty managing their electricity costs. Our goal is to ease the burden of accessing information regarding resources that can assist customers in need as well as those interested in conservation or other forms of demand management.

Westario is committed to sustainability and recognize the values bestowed in the related environmental regulations. The safe transportation, storage and disposal of waste and polychlorinated biphenyl (PCBs) as well as managing potential land contaminations and emergency preparedness are all essential components of our recognized obligation to our stakeholders and the environment. Westario has embarked on a project to re-educate all affected employees on the Transportation of Dangerous Goods, the Environmental Protection Act, spills management and WHMIS-GHS. In respect of Green Energy initiatives and climate change Westario has plans to purchase a fully-electric crossover vehicle in 2017 that will be used by customer service representatives and the energy conservation officer in their day-to-day service to businesses and residents. In addition two electric vehicle charging stations will be installed at Westario Power's office location.

A modern, reliable infrastructure is vital to the success of all of our goals and priorities. Westario has developed a rolling 5-year strategic plan specific to addressing the priorities related to investments in assets required to upgrade and maintain the safety, reliability and integrity of its current distribution system as well additions to accommodate growth and development as a result of the changing demographics in the communities that we serve. While 74% of our capital expenditures in the 2017 – 2022 period will be targeted to the renewal of the current system, we will also incur costs related to expanding and modernizing our system's ability to monitor hydro loads and spikes to help minimize or reduce the impacts of outages. It is our goal to retain our very positive results with respect to the reliability of our distribution system. System Average Interruption Duration Index (SAIDI) is a measure in hours of the average time that customer's power is interrupted and is presented as hours of interruption per customer per year. In 2016 Westario Powers SAIDI was a very respectable 2.41. System Average Interruption Frequency Index (SAIFI) is an indicator of the average number of interruptions that customers experienced and presented as interruptions per customer per year. In 2016 Westario Powers SAIFI was 0.63. In addition to these indicators of system performance and reliability, Westario Power incurred no outages that are classified as major events.

Our employees are the key to our success and Westario recognizes it has a knowledgeable and dedicated workforce. Westario also recognizes that there is significant opportunity to enhance employee engagement in the workplace so that employees are motivated to contribute to the success of the organization as well as being recognized for their positive contributions. Our Board, through recent changes, has recognized this opportunity and has empowered senior management and tasked them with building trust and integrity in the workplace, as well as developing commitment and communication between all staff. Our goal is to have managers work to improve levels of engagement by removing barriers through open team or one on one discussions. The expectation is that this strategy will lead to reduction in employee turnover and facilitate the training and development of staff in a limited qualified employment pool. It is important that we give our managers, supervisors and other the tools to be effective and to develop and engage their teams as leaders.

1

## **Appendix B – Satisfaction Survey Results**

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# Westario Power Inc.



Westario Power Inc.

## Electric Utility Customer Engagement Survey

**The purpose of this report is to profile the connection between Westario Power Inc. and its customers.**

The primary objective of this report is to assist decision makers in developing plans and in making decisions about improving both customer care and operations.

Information in this report is the result of interviewing residential customers, small commercial customers and general service customers via a telephone survey for Westario Power. In addition, the information is enhanced via comments and findings from focus group discussions.

This is privileged and confidential material and no part may be used outside of Westario Power Inc. without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

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## Index

	Page		Page
Report	4	Additional Data, Observations, Insights & Commentary	55
Customer Focus – Customer Satisfaction	5	Corporate Image	56
Satisfaction Pre/Post	8	How can service to customers be improved?	58
Satisfaction with contact experience	9	What do customers think about electricity costs	60
Problem solved	10	What do small commercial customers think?	62
Customer Focus – Service Quality	11	Soliciting Feedback	69
Outage Management	14	SMART Grid	71
Operating & Capital Expenses	22	Purchasing an Electric vehicle	73
- Operating items	27	Method	75
- Capital items	32	About Simul	78
Elasticity – Willingness to Pay	39		
Thinking Ahead [Large Commercial Customers only]	40		
Loyalty factor	42		
Customer Loyalty groups	45		
Customer Commitment	46		
Customer Advocacy: Word of Mouth	48		
Corporate credibility & trust	50		
Value for money	52		

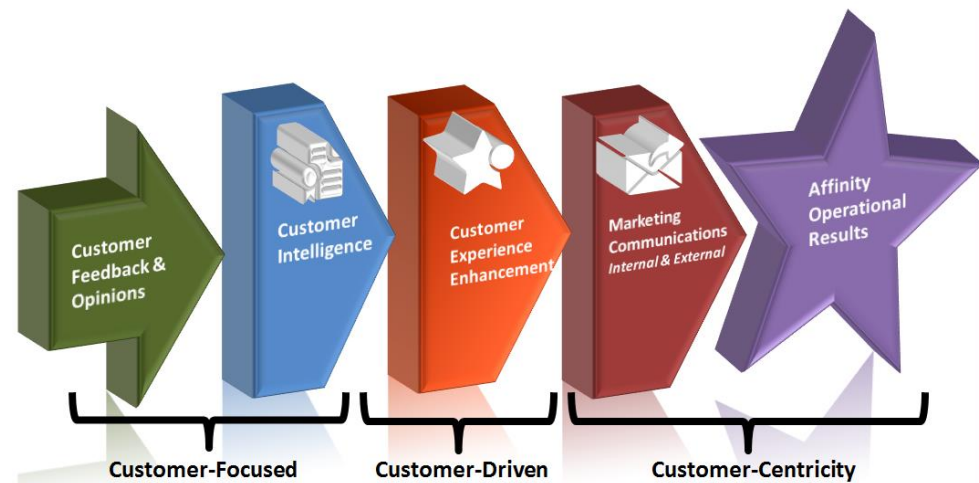
# Survey Observations & Insights

Customer engagement is a key driver for the success of energy efficiency, demand response, adoption of smart energy technologies and other programs the LDC manages. The key to effective engagement lies in understanding customers' attitudes, wants, needs, motivations, and in recognizing that customers are smart people. In an effort to engage with its customers, Westario Power Inc. commissioned UtilityPULSE to interview its customers via a telephone survey and to conduct 3 focus groups.

From a research perspective, 342 Residential customers, 60 small commercial customers and 20 general service customers were interviewed via a comprehensive telephone survey. Data/findings were augmented via comments, insights and recommendations received via 36 participants in 3 focus group sessions.

The purpose of feedback from customers is to assist decision-makers as they make decisions about investments (capital and maintenance) and operational/service quality improvements.

## Customer Engagement ROI

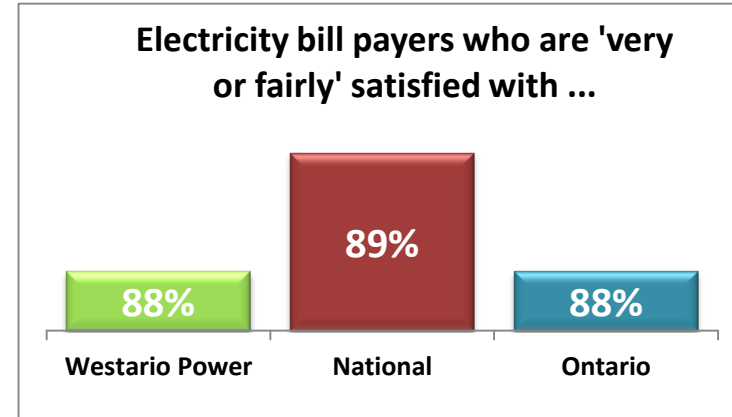


## Customer Focus - Customer Satisfaction - Satisfaction Survey Results

A focus on satisfaction prompts an organization to continue to evolve in ways that make sense to those who pay the bills. A focus on satisfaction is a focus on effectiveness in the delivery of service to the customer.

Efficiency ratings, such as answering the phone in 30 seconds, won't lead to satisfaction but they can lead to dissatisfaction. Taking 90 seconds to answer the phone will create an agitated customer who, for the most part starts off being dissatisfied with the service – before you've even had a chance to deal with or solve their problem. Answering the phone in 20 seconds but not solving the customer's problem is not going to change, for the better, the customer's perception about the transaction.

- **Satisfaction** happens when utility core services meet or exceed customer's needs, wants, or expectations.
- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Base: total respondents

60% of participants in the Focus groups claimed they were “Not very familiar or Not familiar at all” regarding the percentage of their bill that went to Westario Power prior to attending a Focus group session. It is



important to note that participants in all 3 Focus groups wanted to voice their views about the cost of electricity. They made it clear to the moderator that issues such as the cost of solar, wind, and industry issues affecting costs were important. 97% of Focus group participants rated the percentage of the bill Westario Power gets to run its operations as “Very reasonable or Somewhat reasonable”.

Organizations are not successful; it is the people who work in the organization that are successful. They will move it forward, stall it, or move it backwards. As UtilityPULSE consultants have learned by working with executives and managers, it is the employees’ skills, quality of interpersonal relationships and willingness to work as a team that creates value for the organization and its customers.

SATISFACTION SCORES – Electricity customers’ satisfaction			
Top 2 Boxes: ‘very + fairly satisfied’	Westario Power	National	Ontario
Satisfaction Scores	88%	89%	88%

Base: total respondents

SATISFACTION SCORES – Electricity customers’ satisfaction			
Top 2 Boxes: ‘very + fairly satisfied’	Residential	Small Commercial	Large Commercial
Satisfaction Scores	88%	85%	85%

Base: total respondents

Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job. The emotional side of the customer is about fulfilling



expectations. Not meeting rational needs – creates dissatisfaction. Meeting emotional needs can move a customer from neutral to higher levels of satisfaction.

SATISFACTION SCORES – Electricity customers' satisfaction [kwh usage]			
Westario: Top 2 Boxes: 'very + fairly satisfied'	kWh Group 1	kWh Group 2	kWh Group 3
Satisfaction Scores	95%	88%	81%

Base: total respondents

SATISFACTION SCORES – Electricity customers' satisfaction [Income]			
Westario: Top 2 Boxes: 'very + fairly satisfied'	<\$40K	\$40 – 70K	\$70K +
Satisfaction Scores	93%	88%	86%

Base: total respondents

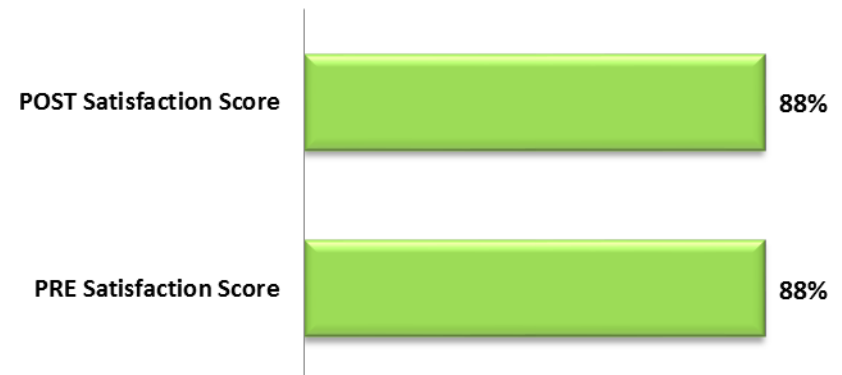
SATISFACTION SCORES – Electricity customers' satisfaction [Age]			
Westario: Top 2 Boxes: 'very + fairly satisfied'	Age: 18-34	Age: 35-54	Age: 55 +
Satisfaction Scores	74%	87%	91%

Base: total respondents



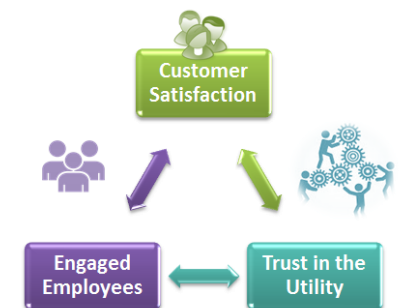
## Westario Power

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST). Asking the general satisfaction question at the start of the survey avoids bias and we obtain a spontaneous rating. This allows measurement of customers' overall impressions of the utility prior to prompting them to think of specific aspects of the relationship. After we have asked about specific aspects of the customer experience, we gain a more *considered* (or conditioned) response.



Base: total respondents

Satisfied and engaged employees who work in an organizational culture that promotes service excellence is key for completing the job both efficiently and effectively. After-all employees do more than deliver customer service – they personalize the relationship between customer and the utility.



SATISFACTION SCORES – Electricity customers' satisfaction			
Top 2 Boxes: 'very + fairly satisfied'	Westario Power	National	Ontario
PRE: Initial Satisfaction Scores	88%	89%	88%
POST: End of Interview	88%	88%	86%

Base: total respondents

### Satisfaction with the contact experience

The difference between overall service quality and service encounter quality (most recent experience), viewing the service encounter as a discrete event occurring over a defined period/moment of time (such as a call about their “September billing”). Customers hold expectations of the quality of each service encounter, just as they hold expectations about the overall service quality of an LDC. When the expectations are about individual service encounters, they are likely to be more specific and concrete (such as the number of minutes one waited for a CSR) than the expectations about overall service quality (like prompt service).

While employees can’t control everything, they can control the quality of the experience. How a problem is handled can validate or invalidate a customer’s perception about the utility’s competency in providing excellent quality services.

It is clear from the Focus group discussions that participants are very concerned over the overall costs associated with electricity – as they are about the overall costs of taxes in their communities.



One Focus group participant said he was “against utilities being a for-profit organization.” And 4 other Focus group participants said the profit portion ought to be used to keep rates low. Despite what one Focus group participant said, “Westario people genuinely care about solving problems”, concerns over costs affect perceptions of service.

Customers, who contacted your LDC, rated their one-on-one transaction as follows:

Satisfaction with Customer Service			
Top 2 Boxes: 'very + fairly satisfied'	Westario Power	National	Ontario
The time it took to contact someone	57%	76%	70%
The time it took someone to deal with your problem	48%	74%	66%
The helpfulness of the staff who dealt with you	64%	73%	70%
The knowledge of the staff who dealt with you	61%	73%	70%
The level of courtesy of the staff who dealt with you	69%	72%	80%
The quality of information provided by the staff who dealt with you	62%	71%	69%

Base: total respondents who contacted the utility

Overall satisfaction with most recent experience			
Top 2 Boxes: 'very + fairly satisfied'	Westario Power	National	Ontario
	52%	79%	69%

Base: total respondents who contacted the utility



### Problem solved rating

Respondents who said they contacted the utility were also asked “Do you consider the problem solved or not solved?” 54% of your LDC’s respondents said the problem was solved. The Ontario benchmark rating is 69%.

Problems aggravate customers. It could be said, some problems can actually anger customers. As a minimum, a problem is an inconvenience to the customer – and they want it solved/resolved. When the problem is solved with the first interaction (often called first call resolution) overall customer satisfaction improves. When customer satisfaction improves the utility benefits.

Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months			
	Westario Power	National	Ontario
Yes	54%	81%	69%
No	44%	17%	27%

Base: total respondents

### Customer Focus – Service Quality

Current measures in the LDC scorecard are: New Residential Services Connected on Time; Scheduled Appointments Met on Time; and, Telephone Calls Answered on Time. These are good examples of efficiency measures as all are time based. Showing up on time may not create satisfaction, not showing up on time will cause dissatisfaction.

Westario Power serves 15 communities covering a wide geographic area and the area served is experiencing extremely low economic growth (approximately 1%). Approximately 21,000 customers with 746km of distribution lines is the reality of Westario Power. Focus group comments seem to indicate there is an insufficient amount of communication / information about the performance of Westario Power as it relates to other LDCs. Comments such as:



*“Let’s us know how we [Westario] benchmark its performance.”*

*“Let us know how our [Westario] performance compares year over year.”*

*“Help us recognize we do have a remarkable utility.”*

UtilityPULSE findings from working with many LDCs over the past few years indicate it is much harder to get great ratings from customers who may not know much about their utility. Despite this, service quality ratings for Westario are, at least statistically, the same as the Ontario benchmark.

Other dimensions of Service Quality which customers value include:

Customer Service Quality			
Top 2 boxes, ‘strongly + somewhat agree’	Westario Power	National	Ontario
Deals professionally with customers’ problems	79%	82%	82%
Customer-focused and treats customers as if they’re valued	75%	74%	76%
Is a company that is ‘easy to do business with’	80%	81%	81%

Base: total respondents with an opinion



Customer Service Quality: Income			
Top 2 boxes, 'strongly + somewhat agree'	<\$40K	\$40 – 70K	\$70K +
Deals professionally with customers' problems	83%	83%	76%
Customer-focused and treats customers as if they're valued	80%	78%	71%
Is a company that is 'easy to do business with'	84%	84%	79%

Base: total respondents with an opinion

### The Killer B's (Bills and Blackouts) and other Problems

There will always be issues. To the customer the expectations from the physical world i.e., call-centre and the virtual world i.e., website, are the same: Solving the problem is the first priority. 35% of those interviewed said they had a problem in the last 12 months. 41% of those with a problem said they had contacted Westario Power.

The UtilityPULSE database for 2015 shows 61% of billing problems are about “the amount owed is too high” and 12% are about “rates or charges”. For problems other than blackouts or bills, 19% are about “moving or setting up an account” and 23% are about a “maintenance request”.



Outages and billing problems, we call them the “Killer B's”, are the two issues that are most likely to cause grief to utility customers. Ensuring power reliability has been and will continue to be the key operational priority for electric utilities.





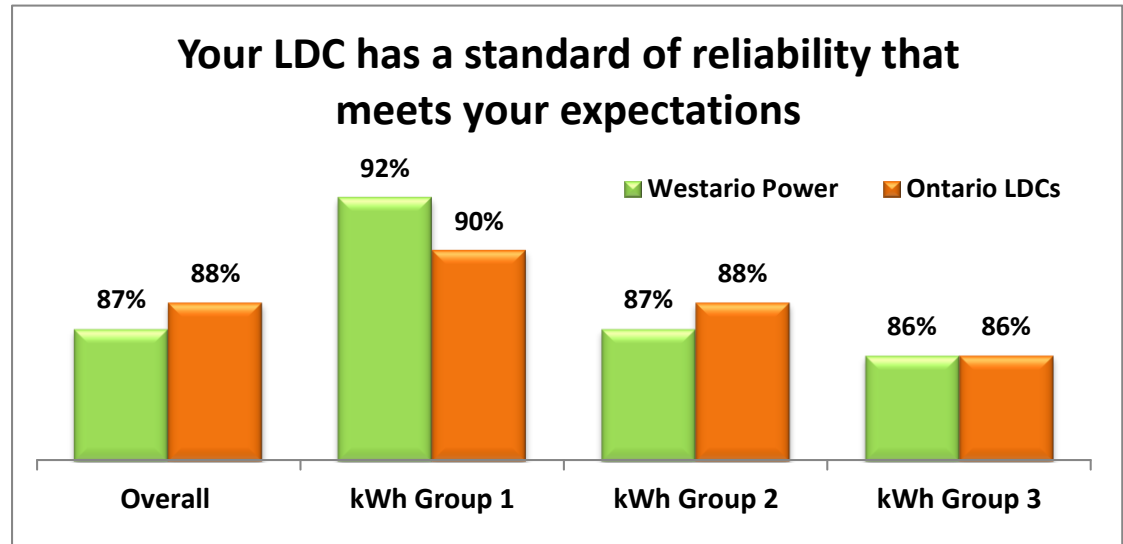
## Outage Management

Customers have increased their expectations as it relates to getting information about outages. What makes the dissemination of information challenging for the LDC is the need to provide the information via multiple media channels and in a timely manner whilst trying to get the power restored. The perception of competency and value of the LDC are certainly linked to the frequency and duration of power outages.

Recognizing the importance of this topic to customers, a question about LDC reliability standards was asked in the survey.



Scores for Westario Power are in line with the Ontario LDC average.



Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents

Focus group participants do have a lot to say about outages and outage management. Comments about the geography and high winds (particularly along Highway 21) were made. The tone of the Focus groups wasn't about "blaming" but recognizing the realities of the environment. Three different times during the Focus group sessions, a participant would state "the '*serious*' outages seem to always be associated with HydroOne Networks."

Has a standard of reliability that meets expectations...			
Westario Power	Residential	Small Commercial	Large Commercial
<b>Top 2 Boxes:</b> 'agree strongly + agree somewhat'	87%	89%	80%

Base: total respondents with an opinion

Has a standard of reliability that meets expectations...			
Westario Power	kWh Group 1	kWh Group 2	kWh Group 3
<b>Top 2 Boxes:</b> 'agree strongly + agree somewhat'	92%	87%	86%

Base: total respondents with an opinion



Talking about acceptable number of outages in a year, 22% of residential customers with Westario Power said "none", while 27% small commercial and 25% large commercial said "none". There was a slight difference in the response rate of



the kWh Groups for “none”. kWh Group 1: 18%, kWh Group 2: 27% and kWh Group 3: 19%

How many outages are acceptable over 12 months?		
	Ontario LDCs	Westario Power
<b>None</b>	23%	23%
<b>One</b>	15%	13%
<b>Two</b>	26%	27%
<b>Three</b>	13%	13%
<b>Four</b>	5%	6%
<b>Five or more</b>	7%	7%
<b>Don't Know</b>	9%	11%

Reasonable amount of time for an unplanned outage?		
	Ontario LDCs	Westario Power
<b>Less than 15 minutes</b>	14%	4%
<b>16-30 minutes</b>	15%	7%
<b>31-60 minutes</b>	13%	8%
<b>1 to 2 hours</b>	29%	37%
<b>3 to 5 hours</b>	13%	23%
<b>6 to 12 hours</b>	5%	7%
<b>More than 12</b>	3%	5%
<b>Don't Know</b>	8%	8%

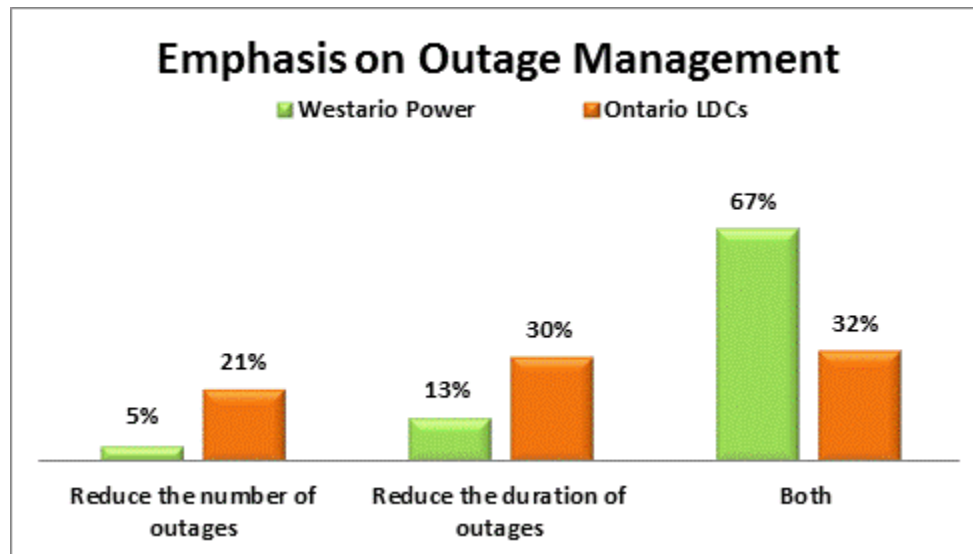
Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents

Focus group input on the topic of frequency and length of outages fell in the 1-2 range, but interestingly Focus group participants were less rigid about the length of the outage. From the Focus group participants - up to 4 hours – for planned outages – was acceptable. In 2 of 3 Focus groups, participants acknowledged unplanned outages (e.g., automobile accident taking out a pole; wind storms, etc.) are not the fault of Westario Power.



Knowing, and communicating, the reason(s) for the outage whether they are planned or unplanned would be welcomed information.

If the utility were to improve reliability should they put more emphasis on reducing the number of unplanned outages or reducing the duration of the unplanned outage? Or both which requires an increase in costs and potentially rates.



Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents

Emphasis on Outage Management			
Westario Power	Residential	Small Commercial	Large Commercial
Reduce the number of outages	4%	13%	5%
Reduce the duration of outages	14%	10%	10%
Both	66%	70%	70%
Don't know	17%	7%	15%

Base: total respondents



Quantifiable data from the telephone interviews show clearly the answer is “both”, even though there would be an increase in costs and rates.

67% of respondents for Westario Power vs 32% of respondents for Ontario LDCs feel that emphasis should be placed on **both** – reducing the number of outages – AND – reducing the duration of outages. The Focus group moderator asked participants to help explain or rationalize the difference between the survey findings for Westario Power and those of other Ontario-based LDCs.

Some of the comments include:

*“If outages get long, they get more impactful.”*

*“We have a lot of electronic equipment that don’t take those ‘blips’ very well.”*

*“I’d pay more \$2-\$3 per month if I really knew there would be less outages and the length would be reduced as well.”*



Emphasis on Outage Management			
Westario Power	kWh Group 1	kWh Group 2	kWh Group 3
Reduce the number of outages	8%	4%	5%
Reduce the duration of outages	15%	12%	15%
Both	61%	70%	65%
Don’t know	17%	14%	15%








Base: total respondents

Emphasis on Outage Management			
Westario Power	<\$40K	\$40 – 70K	\$70K +
Reduce the number of outages	1%	3%	6%
Reduce the duration of outages	15%	15%	11%
Both	61%	70%	65%
Don't know	19%	14%	13%

Base: total respondents

Which communication channel do customers prefer to use? The UtilityPULSE data base information from over 10,000 residential and small commercial customer interviews in 2015, shows the telephone is the most used and preferred method to contact the LDC to communicate with customer care representatives.

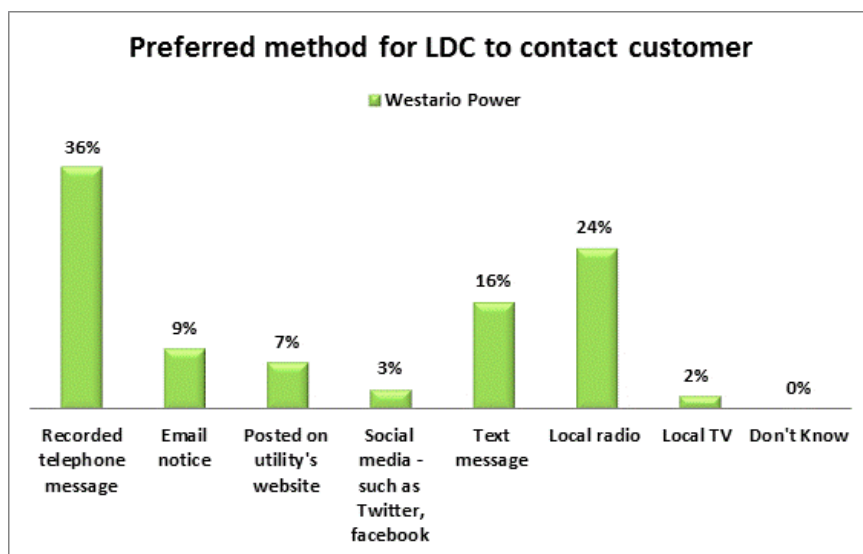


 <b>Westario Power</b>	 <b>Telephone</b> 76%	 <b>Email</b> 7%	 <b>Utility Website</b> 4%	 <b>Social Media</b> 1%	 <b>Text Message</b> 10%	 <b>In Person</b> 2%
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Base: total respondents

While the telephone is still the communication channel most would prefer to use to communicate with or to be communicated to, customers do have an expectation for the LDC to use varied methods to contact them. Communication channels other than the telephone received higher preference scores when asked about the utility contacting the customer versus the customer's use of such channels to contact the utility. This indicates the onus is on the utility to find a way to contact a customer when necessary and it should use various means/channels to ensure the message is communicated.

Proactive communication channels which include recorded calls, emails and SMS (text messaging) are increasingly being used by utilities to reach customers affected by outages.



- Top 4 methods:**
- Recorded Telephone Message
  - Local radio
  - Text message
  - Email notice

Base: total respondents

Being seen as effective during an outage situation from the point of view of a customer requires that:

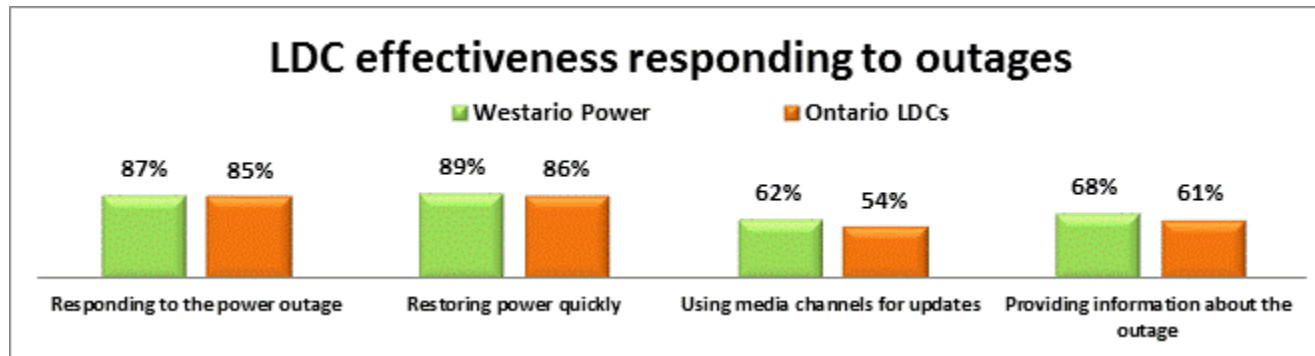
- timely information on outages is provided
- utilities understand that even a short outage in duration is impactful
- in large scale events, utilities should proactively provide tips on how to prepare for extended outages
- being kept informed about what is going on during an outage makes customers feel valued.

LDC effectiveness responding to outages		
	Ontario LDCs	Westario Power
Responding to the power outage	85%	87%
Restoring power quickly	86%	89%
Using media channels for updates	54%	62%
Providing information about the outage	61%	68%

Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents

*The types of information customers require during an outage include:*

- *When will their power be restored?*
- *What areas are affected?*
- *How many customers are impacted?*
- *Have work crews been dispatched to the affected area and is the utility working to restore power?*
- *What was the cause of the power outage?*
- *What can customers do to cope during the outage?*





Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents

LDC effectiveness responding to outages: Top 2 Boxes			
Westario Power	Residential	Small Commercial	Large Commercial
Responding to the power outage	88%	85%	80%
Restoring power quickly	89%	92%	80%
Using media channels for updates	62%	67%	50%
Providing information about the outage	69%	70%	45%

Base: total respondents

LDC effectiveness responding to outages: Top 2 Boxes			
Westario Power	<\$40K	\$40 – 70K	\$70K +
Responding to the power outage	90%	90%	88%
Restoring power quickly	93%	90%	86%
Using media channels for updates	60%	64%	70%
Providing information about the outage	71%	74%	66%

Base: total respondents

### Operating & Capital Expenses

UtilityPULSE has been conducting research in the LDC industry in Ontario for 17 years. However, members of UtilityPULSE have been doing customer research for much longer. It is true, customers (but not all) can tell you what they want, but they have a very difficult time telling you what they need.



On the one hand many customers “want” lower prices, but they “need” reliability and responsiveness. Hence, it is up to the professionals in the LDC to use their experience and judgment to determine what needs to be done and when it should be done. No easy task.

UtilityPULSE asked customers: *“As it relates to replacing equipment electric utilities typically follow 2 main practices which are: let equipment run-to-failure OR pro-actively replace equipment. Which of the following best represents your view on equipment replacement?”*

Strategy for replacing equipment		
	Ontario LDCs	Westario Power
Run-to-failure when there are limited customers affected ensures full-value is received from the equipment	27%	28%
Pro-active replacement, even though it may cost more, should ensure reliable power	65%	63%
Don't Know	8%	9%

Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs / total respondents



62% of Residential and 63% of Westario Power small commercial respondents chose the statement “Pro-active replacement, even though it may cost more...” as the statement that best describes their view about replacing equipment. 80% of Large commercial customers also subscribed to pro-active replacement.

Strategy for replacing equipment			
Westario Power	Residential	Small Commercial	Large Commercial
Run-to-failure when there are limited customers affected ensures full-value is received from the equipment	29%	27%	10%
Pro-active replacement, even though it may cost more, should ensure reliable power	62%	63%	80%
Don't know	9%	10%	10%

Base: total respondents

Strategy for replacing equipment			
Westario Power	<\$40K	\$40 – 70K	\$70K +
Run-to-failure when there are limited customers affected ensures full-value is received from the equipment	30%	29%	32%
Pro-active replacement, even though it may cost more, should ensure reliable power	60%	64%	62%
Don't know	11%	8%	6%

Base: total respondents

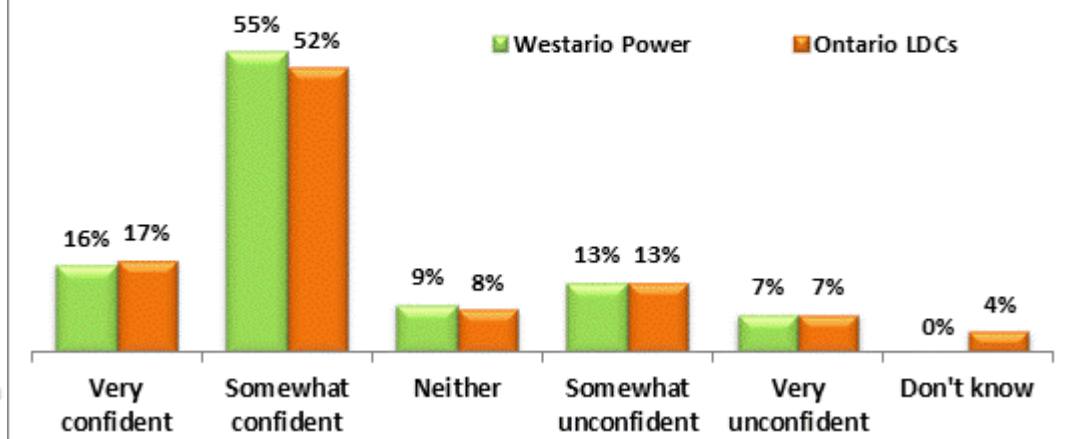


Understanding customer expectations, concerns, and desires does help an LDC to build their plans to ensure they remain relevant, viable, and valuable to customers, employees and other stakeholders.

Responding customers really don't know how much things cost or even what it takes to complete various operational tasks or capital projects. For example, when participants of the Focus groups were given the financial information about capital expenditures, they had difficulty determining if the numbers are reasonable. Hence, the importance of having confidence in LDC decision-makers.

We have heard customers tell us “we expect those that are being paid will make good decisions.”

### Level of confidence in LDC to use good judgment prioritizing investments



Base: Extract from 2015  
UtilityPULSE 17<sup>th</sup> Annual Customer  
Satisfaction Survey Ontario LDCs /  
total respondents

On the question of “level of confidence”, Westario Power gets good ratings.

Level of confidence in LDC to use good judgment prioritizing investments			
Westario Power	Residential	Small Commercial	Large Commercial
Very confident	16%	15%	20%
Somewhat confident	54%	60%	45%
Neither	9%	5%	20%
Somewhat unconfident	13%	12%	10%
Very unconfident	6%	8%	5%

Base: total respondents

Level of confidence in LDC to use good judgment prioritizing investments			
Westario Power	kWh Group 1	kWh Group 2	kWh Group 3
Very confident	25%	16%	9%
Somewhat confident	52%	57%	55%
Neither	10%	7%	11%
Somewhat unconfident	8%	14%	18%
Very unconfident	6%	7%	7%

Base: total respondents



Level of confidence in LDC to use good judgment prioritizing investments			
Westario Power	<\$40K	\$40 – 70K	\$70K +
Very confident	21%	19%	12%
Somewhat confident	50%	59%	52%
Neither	10%	4%	7%
Somewhat unconfident	15%	11%	20%
Very unconfident	4%	7%	9%

Base: total respondents

### Operating Items

Much has been written and reported in regards to the cost of electricity. A goal of customer engagement, in addition to understanding wants & needs, is to reduce the worry customers have about the reliability and future costs of electricity. What readers may not know is, Westario Power has to focus on day-to-day operations while it builds, re-builds, re-furbishes and prepares the organization for a changed future. In addition, LDCs need to think in terms of decades, not just today, this week, this month, or this quarter. They need to do so in a regulated environment that is a 5 year planning environment. Respondents were asked to identify the items they were willing to pay more for and, they were asked “how much” they would be willing to pay.





Which of the following items are you willing to pay more for per month ...			
Ontario LDCs	Yes	No	Not sure
A proactive outage management system	51%	39%	9%
Increased self-service options on the website	34%	58%	7%
Extended office hours	16%	79%	5%
Increased tree trimming to improve reliability	58%	35%	6%
Educating customers about energy conservation	47%	48%	4%
Educating customers and the public about electricity safety	43%	53%	5%

Base: Extract from 2015 UtilityPULSE 17<sup>th</sup> Annual Customer Satisfaction Survey Ontario LDCs

Which of the following items are you willing to pay more for per month ...			
Westario Power	Yes	No	Not sure
A proactive outage management system	44%	50%	7%
Increased self-service options on the website	23%	70%	7%
Extended office hours	16%	81%	3%
Increased tree trimming to improve reliability	53%	45%	2%
Educating customers about energy conservation	40%	58%	2%
Educating customers and the public about electricity safety	32%	66%	2%

Base: total respondents

Westario customers responding to the telephone survey showed lower levels of willingness to pay for various operational items (as compared to UtilityPULSE LDC averages for 2015). In order to gather input and comment, the Focus groups' moderator asked for comments about what might be the rationale for Westario respondents having a lower willingness to pay level. Comments received include:

*"We have a lot of retired people in our communities."*

*"My municipality just increased rates by X% and I'm not willing to pay more for anything."*

*"Most people already know about energy conservation; certainly the older generation."*

*"Shows there are diverse opinions."*

*"Maybe it has something to do with concrete (e.g., tree-trimming) versus abstract (e.g., web service)."*

For those who said they would pay more, the following illustrates the amounts they would be willing to pay:



Willing to pay how much more per month for ...			
Westario Power	1 item	2 items	3 or more items
<b>\$0.50 or less</b>	54%	48%	37%
<b>\$0.51 – \$1.00</b>	16%	12%	5%
<b>\$1.01 – \$2.00</b>	10%	8%	9%
<b>\$2.01 – \$3.00</b>	1%	6%	4%
<b>\$3.01 – \$5.00</b>	7%	9%	16%
<b>\$5.01+</b>	10%	17%	29%

Base: total respondents willing to pay more



Respondents were not guided by the interviewer providing various ranges of rates.

Respondents were simply asked to give an amount of \$.

Their answers were categorized into one of the rate ranges shown in the table.



How much more per month -- 3 or more Operational items			
	Westario Power	Residential	Small Commercial
<b>\$0.50 or less</b>	37%	33%	37%
<b>\$0.51 - \$1.00</b>	5%	7%	0%
<b>\$1.01 - \$2.00</b>	9%	10%	7%
<b>\$2.01 - \$3.00</b>	4%	4%	4%
<b>\$3.01 - \$5.00</b>	16%	16%	26%
<b>\$5.01+</b>	29%	31%	26%

Base: total respondents willing to pay more

From the UtilityPULSE 2015 surveys: Not surprisingly lower income respondents identified lower amounts. For example, 92% of respondents <40K who were willing to pay for one operational item identified a number less than \$1.00, it was 83% for respondents 70K+.

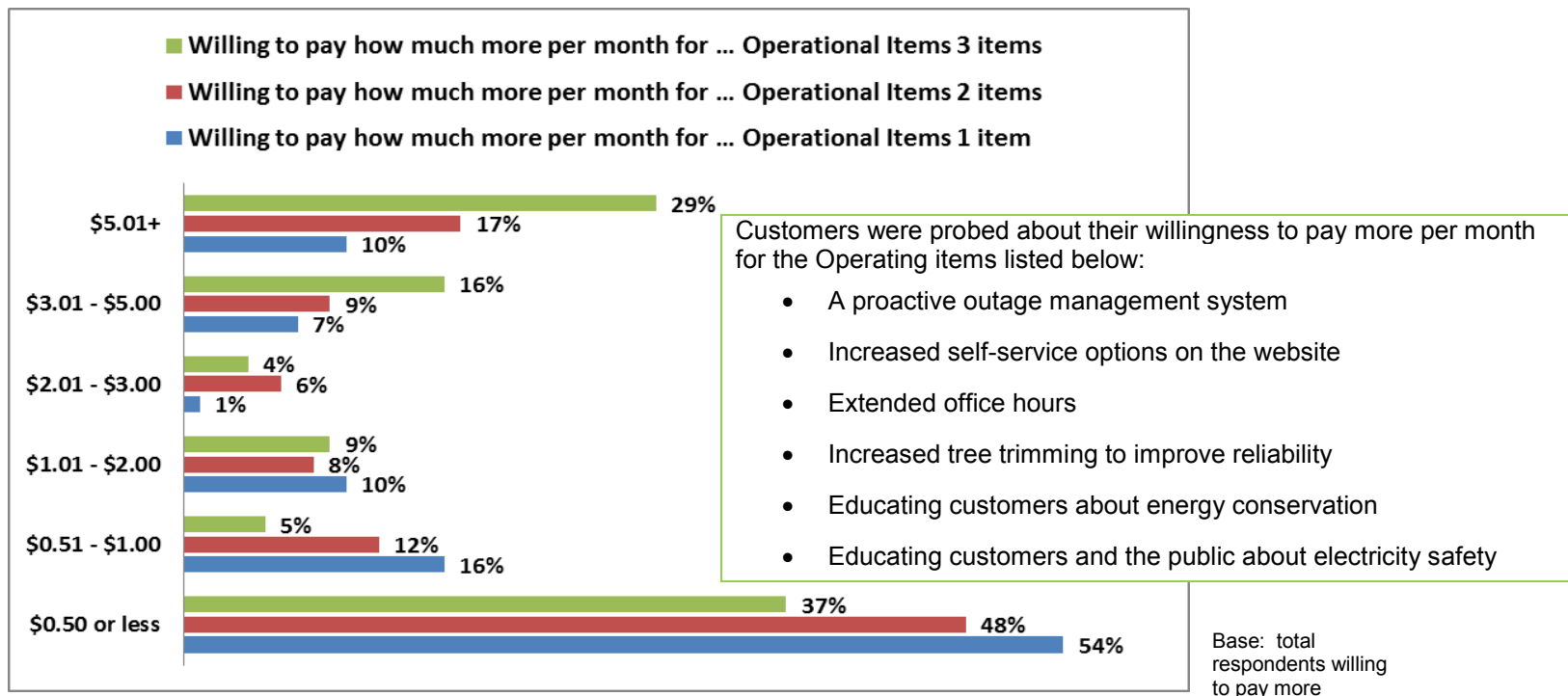
The UtilityPULSE Ontario database shows Secure customers identified a willingness to pay higher amounts more frequently than At Risk customers. When three or more operational items were involved, At Risk customers pick a number less than 50 cents, 66% of the time; Secure customers was 37%. Said a different way, only 34% of At Risk customers are willing to pay more than 50 cents for three or more operational items, while 66% of Secure customers would be willing to do so. This proves price increase receptivity is linked to customer affinity.

However, average kWh usage per month showed very little difference between customers in the lower quartile of kWh versus customers in the highest quartile. 43% of kWh Group 1 versus 46% of kWh Group 3 gave a number of \$1.00 or less.

Focus group feedback indicates there is more support for operational items each customer values. For example, if a customer values website services then their support would be much higher than those customers who really don't care about website services. While not statistically valid, as a



number for the whole Westario Power customer base, Focus group participants indicated they would pay about \$1 more per month for the operational items they are interested in. Results for Westario Power are shown below.



The above chart can certainly fuel debate between industry professionals, regulators, interveners and customers. Could an LDC ignore investing in self-service options on their website? Do the raw scores from the survey represent what the LDC needs to do? If the LDC didn't invest in increased

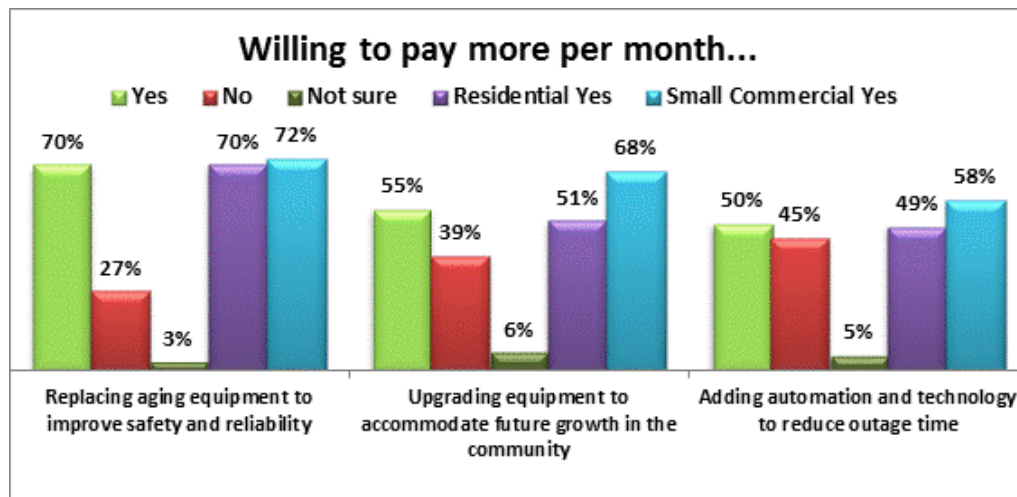
self-service options what might happen to operational costs? What might happen to the perceived brand of the LDC i.e., being seen as a modern enterprise?

### Capital Items

Customers were also asked about the following capital items:

Which of the following items are you willing to pay more for per month...Capital items					
Westario Power	Yes	No	Not sure	Residential Yes	Small Commercial Yes
Replacing aging equipment to improve safety and reliability	70%	27%	3%	70%	72%
Upgrading equipment to accommodate future growth in the community	55%	39%	6%	51%	68%
Adding automation and technology to reduce outage time	50%	45%	5%	49%	58%

Base: total respondents



Base: total respondents



Which of the following items are you willing to pay more for per month...Capital items			
Westario Power	kWh Group 1	kWh Group 2	kWh Group 3
Replacing aging equipment to improve safety and reliability	72%	72%	64%
Upgrading equipment to accommodate future growth in the community	58%	56%	46%
Adding automation and technology to reduce outage time	53%	49%	49%

Base: total respondents

Which of the following items are you willing to pay more for per month...Capital items			
Westario Power	<\$40K	\$40 – 70K	\$70K +
Replacing aging equipment to improve safety and reliability	75%	70%	73%
Upgrading equipment to accommodate future growth in the community	57%	54%	49%
Adding automation and technology to reduce outage time	51%	51%	53%

Base: total respondents

Which of the following items are you willing to pay more for per month...Capital items			
Westario Power	Age: 18-34	Age: 35-54	Age: 55 +
Replacing aging equipment to improve safety and reliability	74%	75%	65%
Upgrading equipment to accommodate future growth in the community	56%	50%	52%
Adding automation and technology to reduce outage time	44%	51%	47%

Base: total respondents

Focus group participants were asked to comment on the telephone survey findings. As it relates to “replacing aging equipment to improve safety and reliability”:

*“Surprised the numbers aren’t higher than they are.”*

*“My spouse is an accountant and as she tells me, every successful organization puts away money on a regular basis to replace equipment. As such, why do we have to pay more?”*



As it relates to “upgrading equipment to accommodate future growth”:

Note: Projected growth in Westario Power geographic area is about 1%; extremely low.

Capital investments for System Access averages less than \$200,000 per year – a number which reflects the area’s low growth.

As it relates to “adding automation and technology to reduce outage time”, why such a low level of support? Focus group participants said:

*“I don’t think people understand what is meant by adding automation.”*

*“[Automation] Sounds like bells & whistles and no one wants to pay for bells & whistles.”*

*“Technology has to show there is a return. The Smart-meter program is an example of technology that cost extra money with little return.”*

*“There is a general level of skepticism that technology will deliver on its promises.”*

How much more per month – 1 Capital item				
Westario Power	ALL	Residential	Small Commercial	Large Commercial
<b>\$0.50 or less</b>	48%	45%	67%	67%
<b>\$0.51 - \$1.00</b>	11%	13%	0%	0%
<b>\$1.01 - \$2.00</b>	8%	9%	0%	0%
<b>\$2.01 - \$3.00</b>	6%	8%	0%	0%
<b>\$3.01 - \$5.00</b>	18%	21%	0%	0%
<b>\$5.01+</b>	8%	4%	33%	33%

Base: total respondents willing to pay more





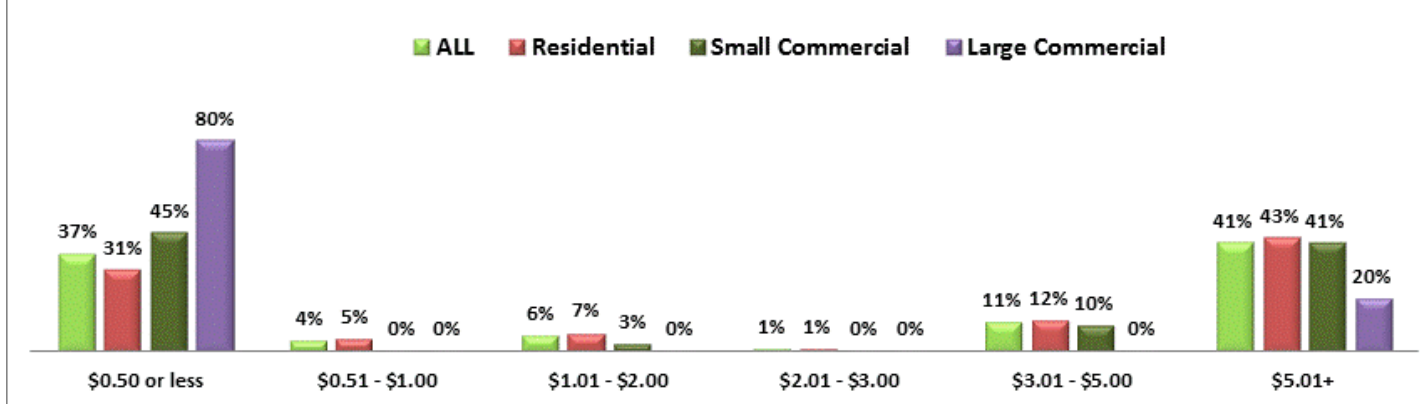
How much more per month -- 2 Capital items				
Westario Power	ALL	Residential	Small Commercial	Large Commercial
\$0.50 or less	36%	32%	46%	100%
\$0.51 - \$1.00	7%	9%	0%	0%
\$1.01 - \$2.00	10%	12%	0%	0%
\$2.01 - \$3.00	2%	2%	0%	0%
\$3.01 - \$5.00	14%	15%	15%	0%
\$5.01+	30%	30%	38%	0%

Base: total respondents willing to pay more

How much more per month -- 3 Capital items				
Westario Power	ALL	Residential	Small Commercial	Large Commercial
\$0.50 or less	37%	31%	45%	80%
\$0.51 - \$1.00	4%	5%	0%	0%
\$1.01 - \$2.00	6%	7%	3%	0%
\$2.01 - \$3.00	1%	1%	0%	0%
\$3.01 - \$5.00	11%	12%	10%	0%
\$5.01+	41%	43%	41%	20%

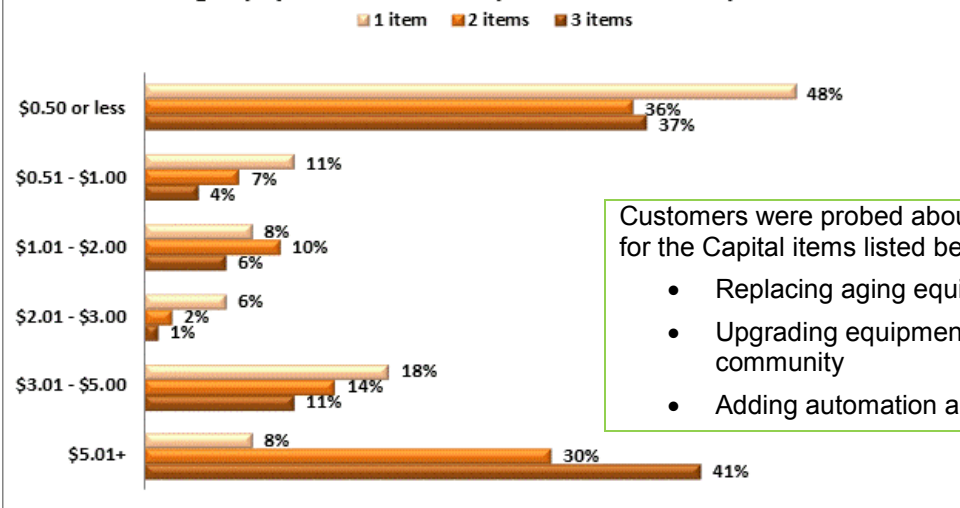
Base: total respondents willing to pay more

### How much more per month -- 3 items or more



Base: total respondents willing to pay more

### Willing to pay how much more per month for ... Capital items



Customers were probed about their willingness to pay more per month for the Capital items listed below:

- Replacing aging equipment to improve safety and reliability
- Upgrading equipment to accommodate future growth in the community
- Adding automation and technology to reduce outage time

Base: total respondents willing to pay more



The amount customers are willing to pay for 1 item versus 3 items did not translate into a proportional increase. While customers recognize 3 items would necessitate more money than 1 item, fewer customers were willing to pay that much more for 3 items. However, they are more willing to pay for items providing a direct benefit to themselves.

Data collected from Focus group participants seem to suggest an increase of about \$1.50 per month for capital items they were respectively interested in. The reality is, not everyone is interested in paying more for every capital item.

Quantifiable data from the telephone survey about paying more for capital items indicates:

- 15% respondents were willing to pay more for 1 item
- 23% willing to pay more for 2 items
- 38% willing to pay more for 3 items
- 24% were not willing to pay more for any items.



Regardless of what Westario Power needs to do, or their rationale for doing so, the reality is about 1 in 4 customers are not willing to pay anything for any capital item. While it would seem logical, particularly as it relates to replacing aging equipment for reliability & safety purposes, for a significant number of customers there would be resistance of any increase regardless of the rationale to do so. It is interesting to note, 28% of respondents were not willing to support any increase for any operational item.

### Elasticity in willingness to pay more per month

It is true, self-interest will drive the choices people make. If an operational or capital item directly affects the respondent, then there is a willingness to support paying more per month. For example, 53% said they would pay more for tree-trimming. If a customer can see a benefit then there is higher level of support for paying more money. For example, respondents in the 35-54 age range are much more likely to be willing to pay more for “increased self-service options on the website” than respondents in the 55+ age range. Receptivity for paying more increases when there is a direct benefit to the customer or the customer sees the cost as a means to avoid adverse consequences (pain).

Data from respondents of Westario Power’s telephone survey who were asked if they were willing to pay more for any of the operational items, 28% were not willing to pay more for ANY of the operational items, 24% for capital items. Proof there is a significant number of people not willing to pay more for anything. It is extremely important that increases in rates are tied to customer benefits.

It is also important to note, data from all sources shows survey respondents do not have a sense of what things cost. Telling a customer an item/project costs \$750,000 means little, but telling them it would increase their bill by \$2.00 puts it in a context the customer can certainly understand. It is not the amount of the investment rather it is the impact of the investment that matters most.

As stated earlier about 1 in 4 customer respondents indicated they do not support any increase for any capital expense item or any operational expense item. This is a significant level of resistance.



Focus group participants were asked: “As it relates to increasing costs, what does Westario Power have to be mindful of?” Here are some of the comments:

*“Educate the public, make sure people understand where the \$\$ are going.”*

*“Hydro is just one piece of the pie. People are approaching the breaking point.”*

*“Regularly tell us how we compare with other utilities.”*

*“Keep the rate of increase to the rate of inflation.”*

### Thinking ahead...a look into the future

Looking through the microscope while simultaneously looking through the telescope is what helps companies be more relevant & successful today while they prepare to be successful again “tomorrow” in a changed world. Though there are many factors that can affect the level of consumption for larger customers, respondents were asked the following about the future.



...Thinking ahead over the next 1-2 years do you anticipate any changes to your business that would affect electricity consumption more than 5% up or down?		
	Westario Power	UP Ontario Database
Yes	30%	31%
No	70%	65%

Base: Total Large Commercial respondents/ UtilityPULSE Ontario database



For those who did anticipate a change of more than 5% up or down:

...Could you tell us what might cause this change to electricity consumption...		
	Westario Power	UP Ontario Database
<b>Business is growing</b>	83%	28%
<b>New machinery/change equipment</b>	33%	22%
<b>More work (e.g., products and services are being added)</b>	17%	18%
<b>More efficient lighting</b>	-	14%
<b>Implementing conservation measures</b>	-	13%
<b>Generating own electricity</b>	-	6%
<b>More space</b>	-	3%
<b>Business is falling off</b>	-	3%
<b>Moving to another location</b>	-	1%
<b>Costs</b>	-	1%
<b>Downsizing</b>	-	1%
<b>Retro-fits</b>	-	1%
<b>Other</b>	-	4%
<b>Don't know</b>	-	2%

Base: Total Large Commercial respondents who anticipated changes to electricity consumption / UtilityPULSE Ontario database



## The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, the customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are "loyal" or "at risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).

Whether a customer is loyal and/or satisfied will be determined by an alignment of the emotion, experience and expectation of both the customer and the LDC.



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Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer that affects the way(s) in which the customer (consistently) interacts, responds or reacts towards the company – its products & services and its brand.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories which reflect the concept of customer loyalty:

- Participation
- Compliance or Influence
- Advocacy

Specific examples of potential participatory behaviour in the electric utility industry include:

- Signing up for programs which help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies.



**Some Tips to build loyalty:**

- ✓ Solve problems quickly
- ✓ Treat customers right
- ✓ Listen to complaints
- ✓ Be personal; create a great experience
- ✓ Friendly customer service
- ✓ Accessible information or help
- ✓ Good reputation
- ✓ Demonstrate you care



Specific examples of potential compliance or influence behaviours which utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online.

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility.

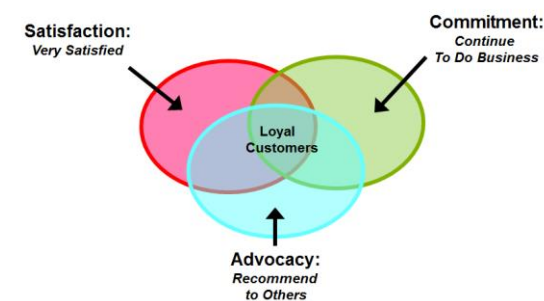


**Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.**

**Loyalty is based on likelihood to:**

- **Satisfaction:** *overall satisfaction*
- **Commitment:** *continue as a customer*
- **Advocacy:** *willingness to recommend*

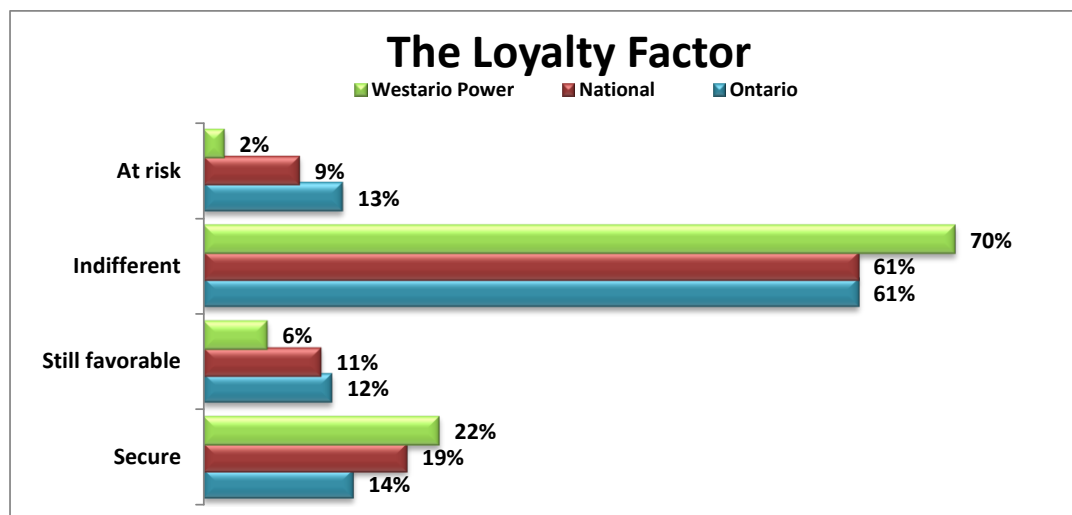
### Customer Loyalty Model



Loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it. Properly measuring loyalty among utility customers requires thoughtful probing to identify the range of participation, compliance, and advocacy behaviours which ultimately benefit the company in meaningful ways, and foster satisfied customers.

Customer Loyalty Groups				
	Secure	Favorable	Indifferent	At Risk
<b>Westario Power</b>	22%	6%	70%	2%

Base: total respondents



Base: total respondents

**Secure** customers are “very satisfied” overall with their local electricity utility. They have a very high emotional connection with their utility and definitely would recommend their local utility.

**Still favorable** customers are “very satisfied” overall, “definitely” or “probably” would recommend their local utility and not switch if they could.

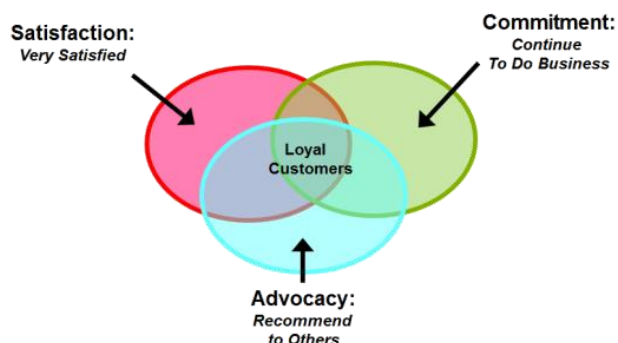
**Indifferent** customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

**At risk** customers, who are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.



## Customer commitment

### Customer Loyalty Model



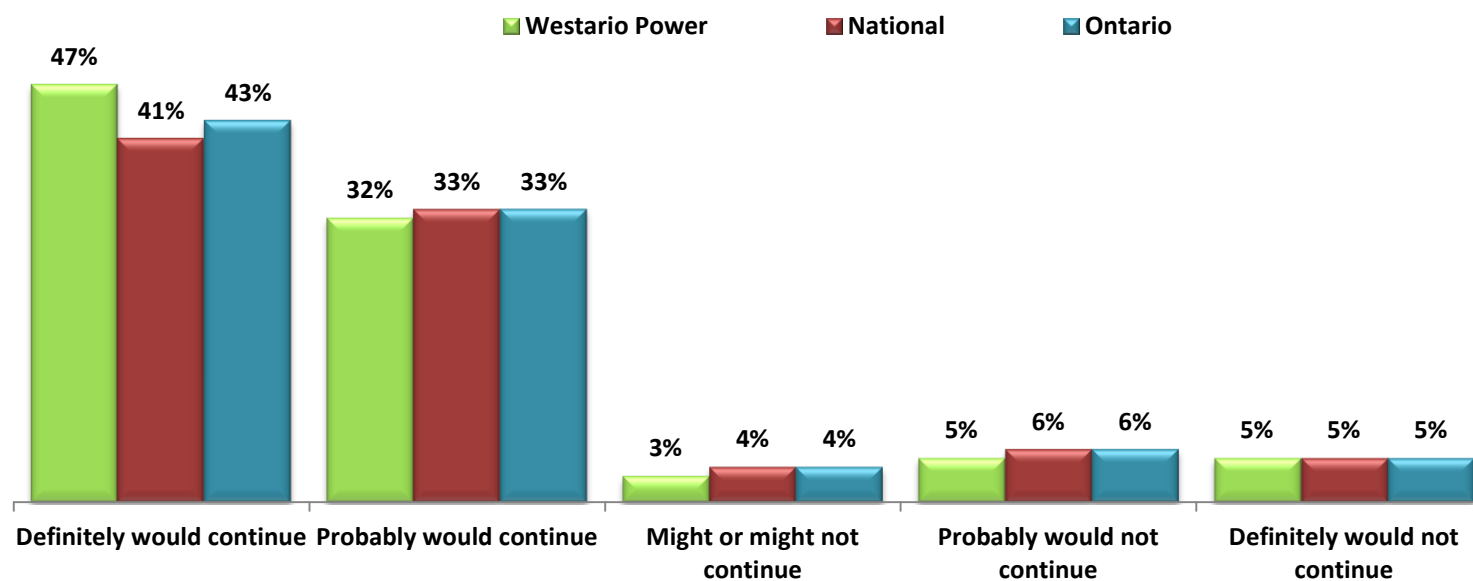
For electric utilities, this measurement is about identifying the number of customers who feel they “want to” vs “have to” do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

- Come to you when they need a product or service
- Validate information received from 3<sup>rd</sup> parties with information and expertise you have
- Try new products/initiatives
- Perhaps they will even trust you when recommendations are made
- Be more price tolerant
- Be more receptive of utility viewpoints on various issues
- Be more tolerant of errors or issues that inevitably take a swipe at the utility
- Have stronger levels of perception regarding how the utility is managed.



Though customers can not physically leave you, they can emotionally leave you and when they do, it becomes an extreme challenge to garner their participation or support for utility initiatives.

### Would you continue to do business with your local electricity provider ...

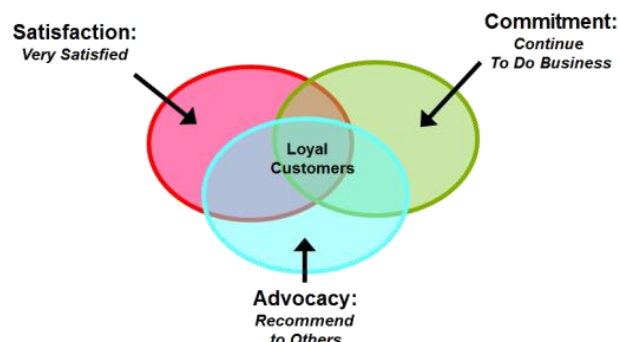


Base: total respondents



## Customer Advocacy: Word of mouth

### Customer Loyalty Model



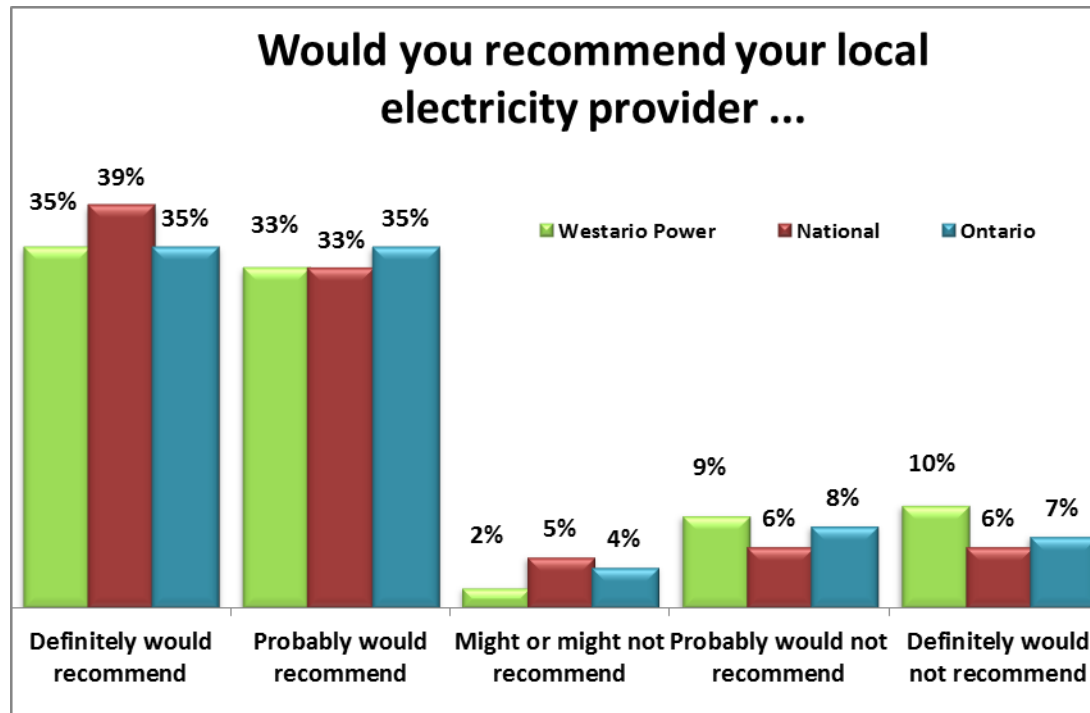
Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe a loyal customer is one that is spreading the value of the business to others, leading new people to the business and helping the company grow. Customer referrals, endorsements and spreading the word are extremely important forms of customer behaviour. For LDCs this is about generating positive referants about the LDC as a relevant and valuable enterprise.

When customers are loyal to a company, product or service, they not only are more likely to purchase from the company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. That equates to new customers and revenue. The same holds true, if not more, when customers are disloyal. Disgruntled customers could share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in fewer engaged customers and/or customers who are Favourable or Secure. Secure customers, typically are advocates and they are deeply connected and brand-involved.



**WORD OF MOUTH**

Would you tell me if you agree or disagree with the following statement? Westario Power is a company that you would recommend to a friend or colleague ...



Base: total respondents

Word of mouth communication is a very powerful form of communication and influence. When customers are speaking to other customers (or their peers) it is more credible, goes through less perceptual filters and can enhance the view of services or products better than marketing communication.

There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high the offer will be "relayed" to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

- Recommending other customers specifically locate in the geographic area that is serviced by that utility
- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

## Corporate Credibility & Trust

While it is true customers don't know how much things cost or are in a position to rationalize the appropriateness of project costs, they will support plans and rationale from organizations they deem to be both credible and trustworthy. LDCs have to be both.

Creating credibility is a process, which advances only through honest, continuous communication between the utility, its regulators, and the public at large. Pro-active and credible communications from an LDC should do three things for its customers: 1- demonstrate competency 2- build confidence and 3- show a future orientation.

Attributes strongly linked to Credibility & Trust			
	Westario Power	National	Ontario
Keeps its promises to customers and the community	78%	79%	80%
Customer-focused and treats customers as if they're valued	75%	74%	76%
Is a trusted and trustworthy company	80%	81%	81%

Base: total respondents with an opinion



Trust and credibility are indicators of the degree of confidence stakeholders have in your organization's ability to deliver on its commitments. Trust and credibility are outcomes based on what your utility actually does, not what it might be doing. UtilityPULSE research shows the under-pinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

**Knowledge** is captured by the utility's ability to demonstrate it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

**Integrity** is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.

**Involvement** — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and man-power to benefit people at the community level. This helps to build credibility as customers see the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.



**Trust** — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.



### *Credibility and Trust Index*

**Westario Power 81%**

Ontario 81%

National 83%

### Value for money

Focus group participants were asked “What is it going to take for customers to see more value?”

Comments and suggestions received include:

*“Send out a pie chart of how Westario spends its money.”*

*“Continue to be responsive to the needs of the (various) communities. A large company doesn’t care about smaller communities.”*

*“Good planning and the story behind the planning.”*

*“Be more service oriented.”*

*“Regularly tell us how we compare with other utilities.”*

*“Help us recognize we do have a remarkable utility.”*

*“I’m pretty impressed with Westario Power, just upset about the money going to electricity generators, time-of-use pricing, and HydroOne.”*

### Additional Data, Observations, Insights & Commentary from the UtilityPULSE Database

UtilityPULSE has interviewed over 10,000 Ontario Residential & Small Commercial LDC customers in 2015. As a result, we have included additional data and information about the following subjects:

- Corporate image
- How can service to customers be improved (suggestions received)
- What customers think about electricity costs
- What Small Commercial customers think
- Soliciting feedback



- SMART Grid
- Purchasing an electric vehicle.

The data on the importance of “feedback” tells us customers want their voice heard. We believe this is completely in sync with, what experts call, customer centricity. However asking for feedback, but not acting on that feedback or not using the feedback in a constructive way could have some adverse consequences for the LDC i.e., lower levels of trust, credibility and customer affinity.

Today’s consumers expect a ‘passion of service’ centered on quality and a proactive attitude toward the customer. LDCs are by no means excluded from this fundamental trend. Customers want respect, to feel they count, to be informed in case of power disruptions and to be reassured when unexpected large-scale outage events occur. To gain credibility as an LDC focused on the service it offers its customers, you need to empower staff at all levels of the organization with the tools and “know-how” so they will take initiative and responsibility in dealing with different situations as they arise.

It is important to note there are 2 sides of customer engagement. One side is getting customer participation in various activities while the other is about getting higher levels of emotional connection (affinity). Conducting surveys (like this telephone survey), holding town hall meetings, focus groups, etc. are examples of engaging your customers by getting your customers to participate in something.

Engagement is also about how customers think, feel and act towards the organization. Customer engagement is not about making customers “happy” with the costs or the service that is being provided by their LDC. Nor is customer engagement about making the industry regulator “happy”.





The purpose of engaging customers is to gather usable information that will help Westario Power be more effective and efficient with higher levels of customer affinity.

Keeping the lights on, billing customers properly and restoring power quickly is the core offering that must be provided by all LDCs in a competent and efficient manner. Westario Power covers a lot of territory and accomplishes much with a very small staff. But circumstances will affect the system. While staff can't control everything, they can control the quality of the experience. Making operational and capital investments certainly is important, however how a problem is handled can validate or invalidate a customer's perception about the utility's competency in providing excellent quality services.

We recommend having meaningful two-way dialogue with employees (and others) to leverage the results from your 2015 customer engagement survey derived from speaking with and meeting with Westario Power's customers. Ensuring customers are everyone's priority in the LDC through words, behaviours, actions and interactions creates an improved organization which can better meet tomorrow's challenges while keeping costs in check.



**UtilityPULSE**

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February, 2016

# Additional Data, Observations, Insights & Commentary



# Corporate image

Twenty years ago many LDCs didn't put too much effort into managing their corporate brand/image. One could argue customers cared less about image and more about operational items such as reliability, restoring power quickly and billing accuracy. In fact, our research from 2006 shows Company Image represented about an 18% weight in affecting the customer's perception about their utility.

But times and customer expectations have changed a lot since then. Customers expect their utility to do the core job exceptionally well AND be much more to customers and the community. They expect you'll be socially responsible, have information they can use to reduce energy costs, be available to answer questions about the industry, etc. In 2015, Company Image represents about a 33% weight in affecting the customer's perception.

In a world where most customers feel time pressed and bombarded with information, a utility should put some real energy behind communicating its brand. The brand of a company is really its reputation. Just like a personal reputation, a brand reputation is formed based on the behaviors and actions of the company (or person), and how those behaviors and actions are perceived. After-all a positive brand image supports a positive perception of the organization. There will always be a brand/image, an LDC should actively manage its reputation, image and brand in order to have the brand/image it desires.

*think*  
**Reputation**  
*instead of*  
**Brand**



Every LDC has a brand and a brand image, while that image can be affected by events in the industry beyond the control of the LDC, the reality is there is a cost benefit to improving the customer experience, generating higher levels of customer engagement and growing the numbers of Favourable and Secure customers. Customers expect your utility will conduct its business professionally **AND** be a proactive enterprise. How would they know, if you don't communicate with them?

Marketing – Communications		
	National	Ontario
<b>Topics that require more pro-active communication</b>		
Cost of electricity is reasonable when compared to other utilities	63%	59%
Adapts well to changes in customer expectations	71%	71%
Provides good value for money	68%	66%
Spends money prudently to keep the system reliable and up-to-date	74%	73%
Operates a cost effective electricity distribution system	72%	68%
<b>Topics that your utility scores very well on</b>		
Is a respected company in the community	82%	83%
A company to “continue to do business with’	82%	82%
Overall the utility provides excellent quality services	85%	84%
Standard of reliability delivering electricity that meets expectations	88%	87%
Provides consistent, reliable energy	90%	89%

Base: total respondents with an opinion



# How can service to customers be improved?

Every business, even natural monopolies, need to keep a focus on its customers, its standards of operations and in being responsive to problems. Insights into what isn't working or what can be done to improve often come from customers. Continuous improvement is the new normal.

Customers are more informed, more aware, more conscious of what's going on around them and in this age of internet and social media, they are better equipped to influence service quality and outcomes. They have learned to compare products and services, to document and monitor customer service and satisfaction, and to request or demand higher quality. And, when things go wrong, customers also know they are “one click” away from the world knowing about it.

As a further way to identify pressure points and areas of concern, respondents were asked to give their top one or two priorities for improvement to their local utility's service.

For 2015 there is heightened awareness for the need to maintain equipment, keep things up to date, improve reliability, and communicate effectively, but true to historical form the number one suggestion remains “better prices/lower rates”.



*And we are interested in knowing what you think are the one or two most important things your LDC could do to improve service to their customers?*

One or two most important things 'your local utility' could do to improve service	
	% of all suggestions
Better prices/lower rates	40%
Improve reliability of power	22%
Better communication with customers	16%
Better maintenance	12%
Be more efficient	8%
Eliminate SMART meters	7%
Improve/simplify/clarify billing	7%
Information & incentives on energy conservation	6%
Remove hidden costs on bills	5%
Extend service hours/availability of hydro representative	5%
Better online presence	4%
Staff related concerns	3%

Base: total respondents with suggestions from the 2015 17<sup>th</sup> Annual Customer Satisfaction Survey



# What do customers think about electricity costs?

For years electric utility customers have had a very real concern about high bills and the cost of electricity. We've constantly and consistently have told our clients "when a value proposition doesn't exist or is unclear, then people will focus on price". LDCs in Ontario certainly score low on "value for money". The reality is, when a customer struggles to pay their electricity bill they struggle to see the LDC providing good value for money.

The good news is LDCs have been doing more to engage customers about the utilities' plans to spend money to improve operations and/or make capital investments. While this is seen as an important process, especially by the Ontario Energy Board, it doesn't deal with the basic issue at hand – the customer's own struggle to pay the bill. Our first year of research, 1999, showed us there was a very high correlation between ability to pay and satisfaction – in 2015 the correlation is still very high.



*Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?*

Is paying for electricity a worry or a major problem?				
	Not a worry	Sometimes	Often	Depends
<b>Ontario</b>				
<b>2015</b>	59%	26%	10%	2%
<b>2014</b>	59%	26%	11%	2%
<b>2013</b>	66%	21%	11%	1%
<b>2012</b>	59%	27%	11%	2%
<b>2011</b>	52%	31%	13%	3%
<b>National</b>				
<b>2015</b>	70%	20%	7%	2%
<b>2014</b>	69%	20%	7%	3%
<b>2013</b>	70%	18%	8%	2%
<b>2012</b>	67%	22%	8%	2%
<b>2011</b>	63%	25%	8%	2%

Base: 2015 Ontario and National benchmark surveys





# What do small commercial customers think?

Small commercial customers represent a significant amount of any LDC's customer base yet the amount of customer intelligence a LDC has on this customer segment is extremely low. Beyond having a contact telephone number, name of company and address there often isn't much more information.

In an time when "targeted" communication is important, knowing the type of category of small commercial account would assist LDCs in delivering meaning messages in an effective way. This could be particularly important in the area of energy conservation i.e., pulling together messages and programs for specific types of businesses. After all, a small restaurant is different from a small accounting office.

Small commercial customers have, in many ways, very similar concerns with Residential customers but there are some differences. For example, small business customers are 1.5X more likely to contact their LDC when there is an outage or billing issue.

## **Small Commercial Customer (General Service < 50kW Demand)**

A small commercial customer is defined by the OEB as a non-residential customer in a less than 50 kW demand rate class. These customers are similar to the residential customer in that their bill does not have a demand component to it and their charges are based upon KWH of consumption. Most of these customers would occupy small storefront locations or offices



Deposit requirements, monthly energy bills (and, therefore, energy usage), power quality, and reliability all directly impact a small business's financial situation. Unlike residential customers who tend to describe the cost of power interruptions in terms of a "inconvenience", commercial (and industrial) customers associate power interruptions with the cost of lost business, i.e., a loss in production is a loss in profits.

Likewise, based on the requirement of electricity to sustain business operations, there exists a difference in actual levels of demand response. For instance, small business and commercial users are unlikely to choose to decrease their electricity consumption if it is incompatible with efficient management of their business processes or threatens contracted deliveries to their primary product markets. In some cases, electricity consumption is a relatively small proportion of total input and operating costs, which substantially reduces the financial incentive for shutting down production during off peak pricing.

The tables associated with this report will contain Ontario LDC specific information as it relates to residential and commercial customers. Recognizing smaller data samples are susceptible to greater data swings, for most LDCs there would be 60 or 90 responses from small commercial customers. We have compiled the following based on a group composite of all of our 2015 discussions with small commercial and residential customers.



Satisfaction: Pre & Post		
Satisfaction (Top 2 Boxes: 'very + somewhat satisfied')	Residential	Commercial
Initially	89%	90%
End of Interview	89%	90%

Base: total respondents from the full 2015 database

As it relates to the six attributes associated with customer service:

Very or fairly satisfied with...	Residential	Commercial
The time it took to contact someone	73%	78%
The time it took someone to deal with your problem	70%	75%
The helpfulness of the staff who dealt with your problem	74%	80%
The knowledge of the staff who dealt with your problem	73%	82%
The level of courtesy of the staff who dealt with your problem	81%	88%
The quality of information provided by the staff member	72%	76%

Base: total respondents from the full 2015 database



Residential respondents had lower satisfaction levels with customer service versus Commercial respondents.




Overall satisfaction with most recent experience		
	Residential	Commercial
<b>Top 2 Boxes: 'very + somewhat satisfied'</b>	72%	77%
<b>Bottom 2 Boxes: 'somewhat + very dissatisfied'</b>	26%	22%

Base: total respondents from the full 2015 database

Comparisons between Residential and Commercial		
Loyalty Groups	Residential	Commercial
<b>Secure</b>	23%	25%
<b>Still Favourable</b>	10%	10%
<b>Indifferent</b>	59%	57%
<b>At risk</b>	8%	8%

Base: total respondents from the full 2015 database



Loyalty Model Factors	Residential	Commercial
<b>Very/somewhat satisfied</b>	89%	90%
<b>Definitely/probably would continue</b>	81%	81%
<b>Definitely/probably would recommend</b>	75%	78%

Base: total respondents from the full 2015 database

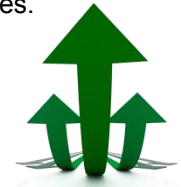
Outages & Bill problems	Residential	Commercial
Respondents with outage problems	44%	37%
Respondents with billing problems	10%	12%

Base: total respondents from the full 2015 database

Attempts to contact local utility...	Residential	Commercial
Respondents with outage problems	19%	30%
Respondents with billing problems	39%	63%

Base: total respondents from the full 2015 database

Residential respondents reported a considerably higher incidence of outages.



Commercial respondents were more likely to call in about billing and outage problems.

Important attributes which describe operational effectiveness		
	Residential	Commercial
Provides consistent, reliable electricity	90%	90%
Delivers on its service commitments to customers	86%	87%
Accurate billing	86%	85%
Quickly handles outages and restores power	87%	87%
Makes electrical safety a top priority	88%	90%
Uses responsible environmental practices when completing work	88%	89%
Is efficient at managing the electricity distribution system	82%	82%
Is a company that is 'easy to do business with'	84%	84%
Operates a cost effective electricity distribution system	72%	72%

Base: total respondents with an opinion from the full 2015 database



Important attributes which shape perceptions about corporate image		
	Residential	Commercial
Is a respected company in the community	85%	86%
A leader in promoting energy conservation	80%	81%
Keeps its promises to customers and the community	82%	83%
Is a socially responsible company	83%	84%
Is a trusted and trustworthy company	84%	85%
Adapts well to changes in customer expectations	74%	76%
Overall the utility provides excellent quality services	85%	86%

Base: total respondents with an opinion from the full 2015 database

Important attributes which shape perceptions about service quality and value		
	Residential	Commercial
Is pro-active in communicating changes and issues which may affect customers	79%	80%
Provides good value for money	68%	69%
Customer-focused and treats customers as if they're valued	79%	80%
Deals professionally with customers' problems	84%	87%
Spends money prudently	77%	77%
Quickly deals with issues that affect customers	82%	82%
Provides information and tools to help manage electricity consumption	79%	77%
Provides information to help customers reduce their electricity costs	78%	77%
The cost of electricity is reasonable when compared to other utilities	60%	59%

Base: total respondents with an opinion from the full 2015 database



Is paying for electricity a worry or a major problem?		
	Residential	Commercial
Not really a worry	63%	61%
Sometimes I worry	24%	27%
Often it is a major problem	8%	9%
Depends	3%	1%

Base: total respondents from the full 2015 database

When there is an outage, which of the following methods would you want your utility to use to give you information about the outage?

Preferred methods to give you information about the outage from your utility...		
	Residential	Commercial
Recorded telephone message	60%	58%
E-mail	32%	40%
Post on utility's website	25%	28%
Social media - Twitter	19%	20%
Text message	32%	35%
Local radio	41%	43%
Local TV	30%	30%

Base: total respondents from the full 2015 database

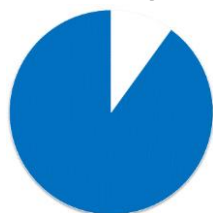


# Soliciting Feedback

The Ontario Energy Board, in its publication: “*EB-2010-0379 Report of the Board Performance Measurement for Electricity Distributors: A Scorecard approach*”, referenced staff recommendations that distributors would be required to survey customer satisfaction among other items in an effort to continually seek ways in which to improve performance and productivity while better understanding and engaging with their customers.

UtilityPULSE asked 1,269 Residential customers, located throughout Ontario and who pay the electricity bill questions pertaining to the solicitation of customer feedback and opinions on different electricity industry matters. These questions were asked with intent of gauging the customer’s perception of requesting feedback and the importance thereof.

**89%**



89% of Ontario respondents feel it is 'very + somewhat' important for their LDC to solicit customer feedback on customers' overall satisfaction with the utility.

**83%**



83% of Ontario respondents feel it is 'very + somewhat' important for their LDC to solicit customer feedback on how much money is being spent on repairing equipment.

**86%**



86% of Ontario respondents feel it is 'very + somewhat' important for their LDC to solicit customer feedback on how much money is being spent on keeping the system reliable.

**84%**



84% of Ontario respondents feel it is 'very + somewhat' important for their LDC to solicit customer feedback on the utility's plans to spend money on extending the system to help economic development in the community.



Importance of soliciting customer opinions and feedback on ....				
	Top 2 boxes: 'very + somewhat' important	Bottom 2 boxes: 'somewhat + very' unimportant	Neither	Don't know
... customers' overall satisfaction with the utility ...	89%	8%	1%	3%
... how much money is being spent on repairing equipment ...	83%	9%	1%	6%
... how much money is being spent on keeping the system reliable ...	86%	6%	2%	6%
... the utility's plans to spend money on extending the system to help economic development in the community ...	84%	10%	2%	4%


Base: 1,269 Residential respondents from the 2015 Ontario Benchmark survey

The data reveals, customers do believe the LDC should be seeking their opinions on certain operational matters as well as their overall satisfaction. It could be the customer's view that by having their input counted especially where spending is concerned, they might play a part in controlling costs and stop any unnecessary spending.



# SMART Grid

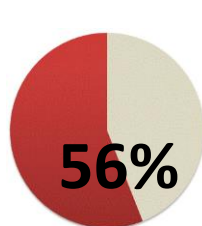
A number of functions will be available to electricity system stakeholders due to the advance of SMART Grid technologies. Providing tools to address peak demand, to improve system reliability, to manage distribution and energy storage are tools available to LDCs and system operators, SMART Grid technologies offer consumers possibilities as well. For the electricity customer, SMART grid technologies can provide the opportunity to manage electricity use, to control bills, and to sell power back the grid. How much of this is the average consumer aware of or “in the know”? While many industry insiders talk about the SMART Grid, i.e., its benefits and its challenges, the reality is, the average person is not very knowledgeable about it.



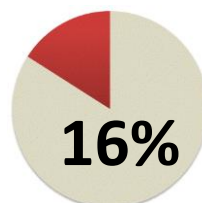
Level of knowledge about the SMART Grid		
	Ontario 2015	Ontario 2014
I have a fairly good understanding of what it is and how it might benefit homes and businesses	9%	9%
I have a basic understanding of what it is and how it might work	21%	25%
I've heard of the term, but don't know much about it	37%	36%
I have not heard of the term	32%	29%
Don't know	1%	1%

Base: total respondents from the 2015/2014 Ontario Benchmark survey

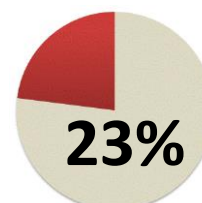
Once again, this year's survey probed around the concept of SMART Grid. While another year has passed, it is evident the SMART Grid is still not a much talked about concept, only 30% [34%;2014] have a basic or good understanding of what it is, 69% have either not heard of the term or if they did, do not know much about it.



56% of Ontario respondents feel it is 'very + somewhat' important to pursue the implementation of SMART Grid technologies



16% of Ontario respondents feel it is 'very + somewhat' unimportant to pursue the implementation of SMART Grid technologies



23%, one in four Ontarians simply admitted they "do not know" if SMART grid technologies should be pursued.

Base: total respondents from the 2015 Ontario Benchmark survey

Support towards working with neighbouring utilities on SMART Grid initiatives		
	Ontario 2015	Ontario 2014
Very supportive	40%	41%
Somewhat supportive	39%	37%
Neither supportive or unsupportive	2%	4%
Somewhat unsupportive	5%	4%
Unsupportive	6%	4%
Don't know	8%	10%

Base: total respondents from the 2015/2014 Ontario Benchmark survey

*With inconsistencies between Ontario LDCs' about the definition of SMART Grid coupled with different levels of technical maturity --- collaboration amongst LDCs is very difficult.*



# Purchasing an Electric Vehicle

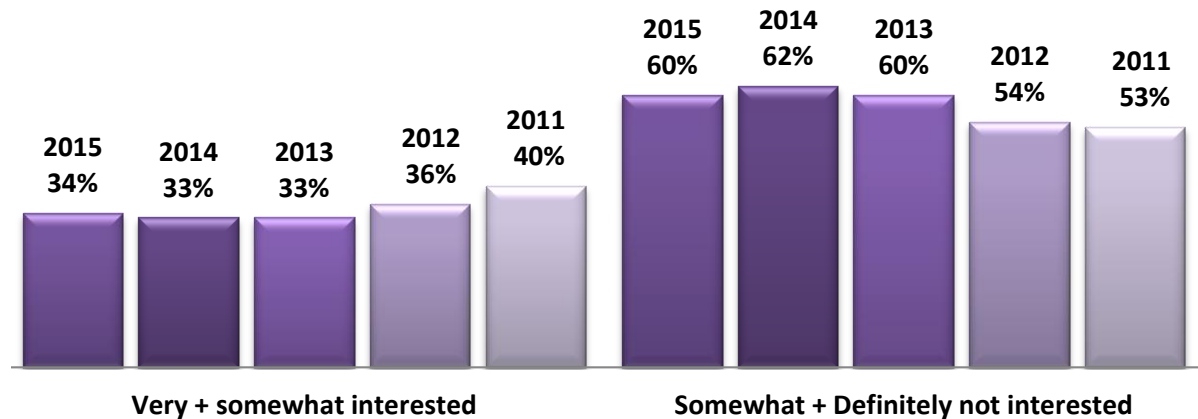
For 5 years UtilityPULSE has been collecting information and tracking electricity customers interest in purchasing an electric vehicle. In fact, we've asked the same questions in the same way for 5 years.

While the actual raw numbers are interesting e.g., 34% are very + somewhat interested in purchasing an electric vehicle, the 5 year trend is also interesting. Other than the first year when various manufacturers hit

the airwaves about their

EVs the interest level has remained in the 34% area. We can conclude that "interest" in purchasing doesn't actually translate to a customer acting on that interest and buying an electric vehicle. Perhaps it is because the EV industry has not done a good job in allaying fears about distances that can be travelled between charges, or time to charge from empty, or the higher depreciation costs associated with most EVs.

## Interest in purchasing a fully electric vehicle



Base: total respondents from the 2015 Ontario Benchmark survey



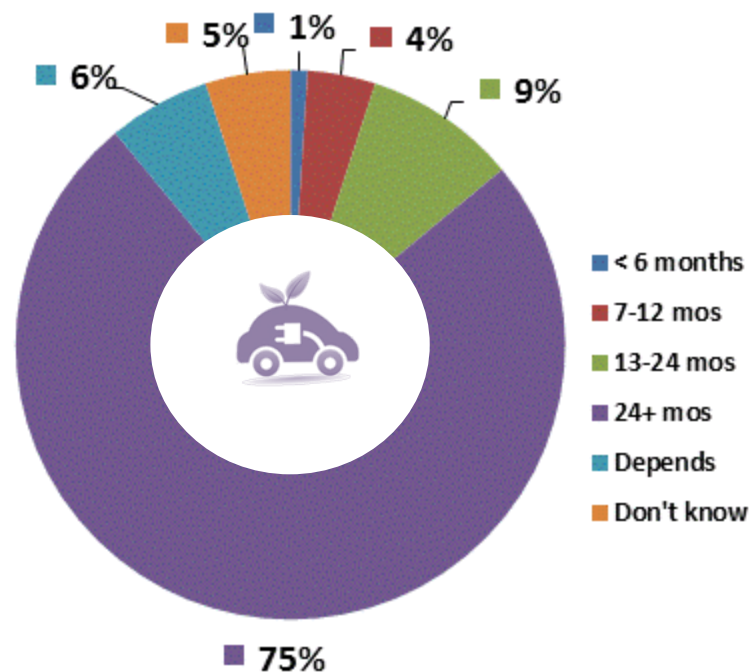
From a demographics perspective respondents in the 35-54 age group had the highest level of interest at 45% (39% in 2014). Data from the survey also tells us there is very little variance in interest to purchase based on the respondents ability to pay for their electricity bills. Customers who said they have “No worries” or said they “Often worry” about paying their electricity bills were statistically equal in their level of interest.

Interest in purchasing a fully electric vehicle						
	Income <\$40K	Income \$40K<\$70K	Income \$70K +	Age 18-34	Age 35-54	Age 55+
<b>Top 2 Boxes: 2015</b> <b>‘very + somewhat interested’</b>	30%	28%	41%	29%	45%	29%
<b>Top 2 Boxes: 2014</b> <b>‘very + somewhat interested’</b>	30%	28%	42%	27%	39%	28%

Base: total respondents from the 2015 Ontario Benchmark survey

Length of time before purchasing a fully electric vehicle		
	Ontario 2015	Ontario 2014
<b>Immediately to next 6 months</b>	6%	2%
<b>7 to 12 months</b>	4%	2%
<b>13 to 24 months</b>	9%	9%
<b>Over 24 months</b>	75%	79%
<b>Depends</b>	6%	5%
<b>Don't know</b>	5%	3%

Base: total respondents from the 2015/2014 Ontario Benchmark survey



## Method

The findings in this report are based on telephone interviews conducted for Simul Corp. / UtilityPULSE by the Logit Group between October 7-21, 2015, with respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Westario Power Inc.

The sample of phone numbers chosen was drawn randomly to insure each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers for 402 interviews. However this data was augmented by interviewing 20 large commercial customers. A total of 422 telephone interviews were completed.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 422 residential and commercial customers will differ by no more than  $\pm 4.77$  percentage points where opinion is evenly split.

This means you can be 95% certain the survey results do not vary by more than 4.77 percentage points in either

direction from results that would have been obtained by interviewing all Westario Power Inc. residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,265 households and businesses from the customer list supplied by Westario Power Inc. The 422 who completed the interview represent a 33% response rate.

Westario Power contracted UtilityPULSE to conduct Focus group sessions. On February 1 & 2, 2016, three focus group sessions were held in two different geographic areas covered by Westario Power with a turnout of 36 participants.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios

used in the local community surveys. The margin of error in the National poll is  $\pm 2.7$  percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve. The spread of responses is a way of showing how much the result deviates from the "standard mean" or average.

For example, the mean score is 3.53 for providing consistent, reliable electricity. The average is 2.98 for customer-focused.

For quickly handles outages and restores power the standard of deviation is 0.77. For operates a cost effective electricity distribution system the S.D. is 1.05. These findings mean there is a wider range of opinion – meaning less consensus – about whether Westario Power Inc.operates cost effectively than Westario Power Inc.restores power quickly.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E., the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

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Organizational Development**

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Strategic Planning

Teambuilding

Organizational Culture Transformation

**Focus Groups, Surveys, Polls,  
Diagnostics**

Diagnostics ie. Change Readiness, Leadership  
Effectiveness, Managerial Competencies

Surveys & Polls

Customer Satisfaction and Loyalty  
Benchmarking Surveys

Organization Culture Surveys

**Customer Service Excellence**

Service Excellence Leadership

Telephone Skills

Customer Care

Dealing with  
Difficult Customers

Benefit from our expertise in Customer Satisfaction, Leadership development, Strategy development or review, and Front-line & Top-line driven-change. We're experts in helping you assess and then transform your organization's culture to one where achieving goals while creating higher levels of customer satisfaction is important. Anyone can present data, or design programs – we believe having an understanding of the industry before doing so is crucial. Call us when creating an organization where more employees satisfy more customers more often, is important.

**Your personal contact is:**

**Sid Ridgley, CSP**

**Phone: (905) 895-7900 Fax: (905) 895-7970 E-mail: [sidridgley@utilitypulse.com](mailto:sidridgley@utilitypulse.com) or [sridgley@simulcorp.com](mailto:sridgley@simulcorp.com)**

**Appendix C – 2018 Operating and Capital Budget Survey**

24 Eastridge Road  
Walkerton, Ontario N0G 2V0



**Westario Power Inc.**

**\*\*\* Please review & provide comment for a chance to win**

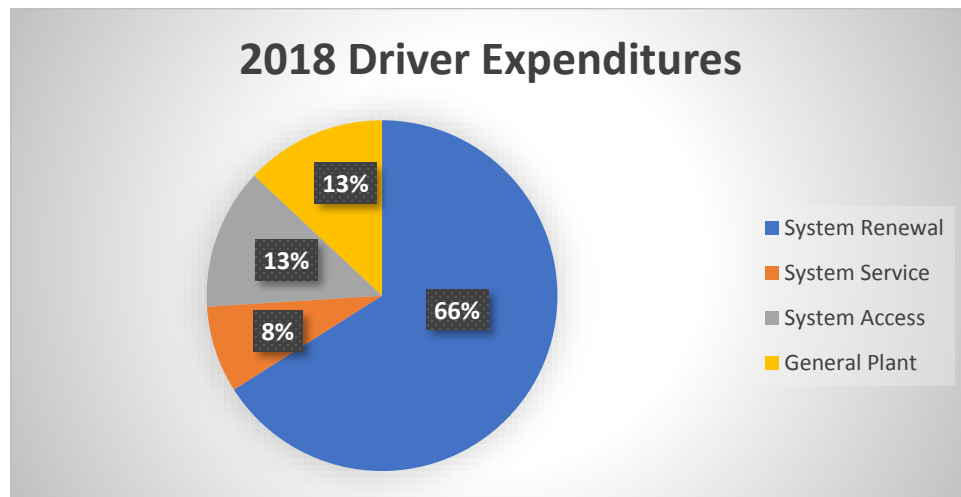
**\$500 \*\*\***

Westario Power continues to focus on day-to-day operations while it builds, re-builds, re-furbishes and prepares the organization for a changed future. In addition, Westario Power needs to think in terms of decades, not just today, this week, this month, or quarter. This planning is prepared in a regulated environment that requires a 5-year planning strategy. Through re-investment in the overall system, Westario Power provides a stable, reliable electricity grid bringing power to your homes and businesses.

Westario Power is in the process of finalizing its 2018 operating and capital budgets in advance of filing an application to the Ontario Energy Board for a rate adjustment. Through feedback received from the most recent customer engagement survey, Westario Power is concentrating its spending efforts on system reliability and safety by focusing on replacing and maintaining assets that have the most potential to fail or deteriorate to a point that they cause a major breakdown or malfunction of the distribution system. Several factors are taken into account when ultimately determining the essential resources in the system requiring immediate attention in any given year.

1 Consideration is given to such criteria as age, current state of condition and impact of failure when  
2 determining budget priorities.

3 The forecasted capital budget for 2018 is approximately \$4.9M and is primarily comprised of  
4 substation upgrades, aging wire replacement, pole replacement as well as transformer  
5 replacement. The following chart indicates our planned expenditure areas of focus:



6  
7  
8 These expenditures are in line with recent historical expenditures and forecast future expenditures.  
9 The goal of Westario Power and its employees is to ensure that a durable, healthy and fully  
10 functional system is in place that easily sustains the needs of its current customers without  
11 significantly altering the financial burden that is required to support these activities, while at the  
12 same time sustaining the commercial viability of Westario Power.

13 **Please review our capital and operating budget and provide comments to the questions**  
14 **listed on the next page.**

### Capital Spending Budget

Investment Category	Project/Activity	Actual 2013	Actual 2014	Actual 2015	Actual 2016	2017	Budget 2018
System Renewal	Pole/transformer Conversion	287,667	287,498	344,055		285,118	463,286
	Substation Upgrades	23,541	1,809,644	815,176	1,457,532	1,450,000	1,310,000
	#6 Copper Replacements	1,303,085	449,151	773,415	281,923	652,215	370,772
	Decrepit Pole Replacement	534,153	289,729	475,884	985,871	772,820	780,146
	Distribution Transformer Replacement			1,328	335,460	306,200	307,305
Total:		2,148,446	2,836,022	2,409,858	3,060,786	3,466,354	3,231,509
System Service	SCADA				55,932	70,000	282,000
	Smart Meter	517,995	299,478	235,882	254,808	30,000	30,000
	Cyme and GIS integration				354,684	-	70,000
	Wholesale Metering (PME)	15,940		10,308			
	Mobile Transformer Substation				688,929		
	Station Grid Code Upgrade Non Compliant				97,962		
	Stranded and Smart Metering	3,452,097					
	IFRS and 2013 COS Entries	(519,226)					
	Annual OH Burden Adj	41,317	113,916	61,930	320,497		
Total:		3,508,123	413,394	308,120	1,772,811	100,000	382,000
System Access	Capital Poles	241,160	113,970	276,202	277,122	304,300	306,742
	New O/H Service Connections					166,129	166,129
	New Underground Service Connections	282,317	374,338	287,736	99,313	124,663	124,663
	Non-demarkation Customers	6,613	11,639	14,487	32,139	45,200	45,200
	3 Phase Customers	111,353	97,994	105,763	173,013		
	Single Phase	11,998	1,585		47,878		
	New Lots Developed	62,265	209,439	204,099	106,223		
	Relocates and Replacements				103,944		
	Contributed Capital	(473,674)	(394,428)	(360,794)	(584,438)		
Total:		242,032	414,537	527,493	255,194	640,292	642,734
General Plant	Technology	391,713	118,480	388,702	210,994	52,800	30,000
	Vehicle Replacement		371,134	58,226	93,165	10,000	500,000
	Tools & Equipment	41,298	74,412	93,460	1,275	25,000	35,000
	Facilities Enhancements	8,091	39,429	40,949	7,906	-	35,000
	Office Furniture and Equipment	12,647	42,234	21,091	6,259	15,000	35,000
	Miscellaneous Equipment	26,266	17,556	17,800	100,662		
	Change in Major Spare Parts Inventory	(75,974)	(28,543)	(113,560)			
Total:		404,041	634,702	506,668	420,262	102,800	635,000
Total		6,302,642	4,298,655	3,752,139	5,509,052	4,309,446	4,891,243

### Operations, Maintenance, and Administrative Expenses

	Actual 2016	Budget 2017	Budget 2018
Operations	\$390,384	\$777,545	\$784,271
Maintenance	\$1,720,696	\$1,733,598	\$1,777,297
Billing and Collecting	\$1,043,796	\$1,145,889	\$1,203,727
Community Relations	\$29,681	\$52,500	\$54,500
Administrative and General	\$2,547,440	\$2,553,715	\$2,697,710
Total	\$5,731,997	\$6,263,247	\$6,517,505

24 Eastridge Road

Walkerton, Ontario N0G 2V0

**Please complete the attached questionnaire or visit  
[www.surveymonkey.com/r/H9LD3T2](http://www.surveymonkey.com/r/H9LD3T2) to provide feedback by August 31, 2017  
for a chance to win a \$100 on-bill credit (one draw for every 100 responses  
submitted) PLUS a chance to win the Grand Prize draw of a \$500 on-bill  
credit (winners will be subject to validation of a Westario Power account).**

---

## THANK YOU

**Your input into the 2018 operating and capital budgets is greatly appreciated**



**Westario Power Inc.**

**Please answer the following questions:**

1. Are you a residential customer, commercial customer, or both – please provide your account number(s):

---

---

2. How satisfied are you with the reliability of Westario's electricity System?

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3. Given the proposed capital and maintenance spending (previous page), how do you feel about what you are currently paying for your electricity bill?

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4. How do you feel about Westario Powers proposed capital spending plan for 2017 and 2018?

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---

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5. How do you feel about Westario Powers proposed maintenance spending for 2017 and 2018?

---

---

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6. Which areas of capital spending do you believe Westario Power should focus its spending on?

---

---

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7. Do you believe Westario Power should replace equipment prior to it failing in an effort to minimize the risk of outages or should items be replaced as they fail, assuming no safety risks, in order to minimize costs and maximize lifespan?

1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_

4 \*\*\* All comments to be forwarded to the contact information below, by August 31,  
5 2017 \*\*\*

6 **Email:** [customer.survey@westario.com](mailto:customer.survey@westario.com) **Fax:** 519-507-6887 **Mail:** 24 Eastridge Road,  
7 Walkerton, ON N0G2V0

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## **Appendix D – Financial Statements**

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Financial Statements of

## **Westario Power Inc.**

For the year ended December 31, 2016



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
Fax 519 672-5684

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Westario Power Inc.

We have audited the accompanying financial statements of Westario Power Inc., which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Westario Power Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

April 12, 2017

London, Canada

# WESTARIO POWER INC.

## Statement of Financial Position

December 31, 2016 with comparative information for December 31, 2015

	Note	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ -	\$ 1,516,547
Accounts receivable	5	4,849,174	5,114,761
Due from shareholders	20	380,071	77,992
Unbilled revenue		6,458,953	6,317,802
Income taxes receivable		258,926	-
Materials and supplies	6	42,682	63,624
Prepaid expenses		256,362	148,599
Investment in equities		34,539	28,911
<b>Total current assets</b>		<b>12,280,707</b>	<b>13,268,236</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	44,725,732	41,291,529
Intangible assets	8	2,655,356	2,502,316
Long-term assets		321,524	316,186
<b>Total non-current assets</b>		<b>47,702,612</b>	<b>44,110,031</b>
<b>Total assets</b>		<b>59,983,319</b>	<b>57,378,267</b>
<b>Liabilities and Shareholders' Equity</b>			
Regulatory balances	10	16,858,895	12,081,679
<b>Total assets and regulatory balances</b>		<b>\$ 76,842,214</b>	<b>\$ 69,459,946</b>

See accompanying notes to the financial statements.

# WESTARIO POWER INC.

## Statement of Financial Position

December 31, 2016 with comparative information for December 31, 2015

	Note	2016	2015
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness		\$ 491,269	\$ -
Accounts payable and accrued liabilities	11	8,946,571	6,616,225
Due to shareholders	20	29,867	86,797
Income taxes payable		-	6,994
Long-term debt due within one year	12	1,117,733	1,059,933
Customer deposits		1,045,128	1,155,740
<b>Total current liabilities</b>		<b>11,630,568</b>	<b>8,925,689</b>
<b>Non-current liabilities</b>			
Long-term debt	12	15,729,323	16,847,057
Post-employment benefits	13	386,427	398,965
Deferred revenue		2,327,626	1,787,690
Deferred tax liabilities	9	1,713,000	1,235,000
Unrealized loss on interest rate swap		1,286,079	1,636,347
<b>Total non-current liabilities</b>		<b>21,442,455</b>	<b>21,905,059</b>
<b>Total liabilities</b>		<b>33,073,023</b>	<b>30,830,748</b>
<b>Equity</b>			
Share capital	14	18,269,168	18,269,168
Retained earnings		13,044,267	11,903,380
Accumulated other comprehensive loss		(21,808)	(29,425)
<b>Total equity</b>		<b>31,291,627</b>	<b>30,143,123</b>
<b>Total liabilities and equity</b>		<b>64,364,650</b>	<b>60,973,871</b>
Regulatory balances	10	12,477,564	8,486,075
<b>Total liabilities, equity and regulatory balances</b>		<b>\$ 76,842,214</b>	<b>\$ 69,459,946</b>

Commitments and contingencies (note 7 and 19)

See accompanying notes to the financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# WESTARIO POWER INC.

## Statement of Comprehensive Income

Year ended December 31, 2016, with comparative information for 2015

	Note	2016	2015
<b>Revenue</b>			
Sale of energy		\$ 60,231,769	\$ 55,617,317
Distribution revenue		9,683,832	9,599,672
Other	15	543,824	670,703
		<b>70,459,425</b>	<b>65,887,692</b>
<b>Operating expenses</b>			
Cost of power purchased		60,656,114	53,632,762
Employee salaries and benefits	16	3,015,876	2,893,993
Operating expenses	17	2,956,373	2,533,170
Depreciation and amortization		1,509,102	1,522,909
		<b>68,137,465</b>	<b>60,582,834</b>
<b>Income from operating activities</b>		<b>2,321,960</b>	<b>5,304,858</b>
Finance income	18	(37,792)	(65,638)
Finance costs	18	974,860	1,087,332
Unrealized (gain)/loss on interest rate swap		(350,268)	174,330
<b>Income before income taxes</b>		<b>1,735,160</b>	<b>4,108,834</b>
Income tax expense	9	578,000	573,000
<b>Net income for the year</b>		<b>1,157,160</b>	<b>3,535,834</b>
Net movement in regulatory balances, net of tax	10	783,727	(1,627,258)
<b>Net income for the year and net movement in regulatory balances</b>		<b>1,940,887</b>	<b>1,908,576</b>
<b>Other comprehensive income</b>			
Items that will be reclassified to profit or loss:			
Change in fair value of investment in equities		5,628	828
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefits	13	1,989	(7,284)
Tax on re-measurements	9	(2,000)	2,000
Net movement in regulatory balances, net of tax	10	2,000	(2,000)
<b>Other comprehensive income for the year</b>		<b>7,617</b>	<b>(6,456)</b>
<b>Total comprehensive income for the year</b>		<b>\$ 1,948,504</b>	<b>\$ 1,902,120</b>

See accompanying notes to the financial statements.

# WESTARIO POWER INC.

## Statement of Changes in Equity

Year ended December 31, 2016, with comparative information for 2015

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
<b>Balance at January 1, 2015</b>	\$ 18,269,168	\$ 10,744,811	\$ (22,969)	\$ 28,991,010
Net income and net movement in regulatory balances	-	1,908,576	-	1,908,576
Other comprehensive income	-	-	(6,456)	(6,456)
Dividends	-	(750,007)	-	(750,007)
<b>Balance at December 31, 2015</b>	<b>\$ 18,269,168</b>	<b>\$ 11,903,380</b>	<b>\$ (29,425)</b>	<b>\$ 30,143,123</b>
<b>Balance at January 1, 2016</b>	\$ 18,269,168	\$ 11,903,380	\$ (29,425)	\$ 30,143,123
Net income and net movement in regulatory balances	-	1,940,887	-	1,940,887
Other comprehensive income	-	-	7,617	7,617
Dividends	-	(800,000)	-	(800,000)
<b>Balance at December 31, 2016</b>	<b>\$ 18,269,168</b>	<b>\$ 13,044,267</b>	<b>\$ (21,808)</b>	<b>\$ 31,291,627</b>

See accompanying notes to the financial statements.

# WESTARIO POWER INC.

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
<b>Operating activities</b>		
Net income and net movement in regulatory balances	\$ 1,940,887	\$ 1,908,576
Adjustments for:		
Depreciation and amortization	1,835,539	1,788,468
Amortization of deferred revenue	(57,851)	(8,360)
Post-employment benefits	(25,193)	(29,751)
Loss on disposal of property, plant and equipment	146,493	201,444
Disposal of computer software	202,460	-
Unrealized loss on interest rate swap	(350,268)	174,330
Net finance costs	937,068	929,219
Income tax expense	578,000	573,000
	5,207,135	5,536,926
Change in non-cash operating working capital:		
Accounts receivable	265,587	(366,048)
Due to/from related parties	(359,009)	47,649
Unbilled revenue	(141,151)	(217,492)
Materials and supplies	20,942	15,486
Prepaid expenses	(107,763)	113,626
Accounts payable and accrued liabilities	2,330,325	(1,460,136)
Customer deposits	(110,612)	163,747
	1,898,319	(1,703,168)
Regulatory balances	(783,727)	1,627,258
Income tax paid	(362,000)	(643,950)
Income tax received	-	-
Interest expensed	(974,860)	(979,976)
Interest received	37,792	65,638
<b>Net cash from operating activities</b>	<b>5,022,659</b>	<b>3,902,728</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(5,365,688)	(4,566,533)
Proceeds on disposal of property, plant and equipment	-	3,824
Purchase of intangible assets	(406,812)	(187,990)
Contributions received from customers	607,297	148,625
Long-term assets	(5,338)	(34,169)
<b>Net cash used by investing activities</b>	<b>(5,170,541)</b>	<b>(4,636,243)</b>
<b>Financing activities</b>		
Dividends paid	(800,000)	(750,007)
Advances on line of credit	491,269	-
Repayment of long-term debt	(1,059,934)	(1,005,196)
<b>Net cash from financing activities</b>	<b>(1,368,665)</b>	<b>(1,755,203)</b>
Decrease in cash	(1,516,547)	(2,488,718)
Cash, beginning of year	1,516,547	4,005,265
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ 1,516,547</b>

See accompanying notes to the financial statements.



## 1. Reporting entity

Westario Power Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Walkerton of the Municipality of Brockton. The address of the Corporation's registered office is 24 Eastridge Road, Walkerton, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the following communities, specifically:

- The Township of Huron-Kinloss (Villages of Ripley and Lucknow)
- The Municipality of Kincardine (Kincardine Ward 1)
- The Municipality of South Bruce (Villages of Mildmay and Teeswater)
- The Town of Saugeen Shores (Towns of Port Elgin and Southampton)
- The Township of North Huron (Town of Wingham)
- The Municipality of Brockton (Town of Walkerton and Village of Elmwood)
- The Town of Hanover (Town of Hanover)
- The Town of Minto (Towns of Harriston and Palmerston, Village of Clifford)
- The Municipality of West Grey (Village of Neustadt)

The Corporation is owned generally by the communities they serve, specifically:

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto
- FortisOntario Inc.

The financial statements are for the Corporation as at and for the year ended December 31, 2016.

## 2. Basis of presentation

### (a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 12, 2017.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

## 2. Basis of presentation (continued)

### (c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

### (d) Use of estimates

#### Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3(b) – measurement of unbilled revenue
- (ii) Notes 7, 8 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 10 – recognition and measurement of regulatory balances
- (iv) Note 13 – measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 19 – recognition and measurement of provisions and contingencies

### (e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe licence requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

## 2. Basis of presentation (continued)

### (e) Rate regulation (continued)

#### Rate setting

##### *Distribution revenue*

For the distribution revenue included in sale of energy, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licenced distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a Cost of Service application on October 10, 2012 for rates effective May 1, 2013 to April 30, 2014, with annual Incentive Regulation Mechanism (“IRM”) filed September 29, 2014, for rates effective May 1, 2015 to April 30, 2016, and December 23, 2016 for rates effective May 1, 2017 to April 30, 2018. The GDP IPI-FDD for 2016 is 2.1%, the Corporation’s productivity factor is nil% and the stretch factor is 0.3%, resulting in a net adjustment of 1.8% to the previous year’s rates.

##### *Electricity rates*

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements:

#### (a) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities except for investment in equities which is classified as available for sale. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Available for sale financial assets are subsequently measured at fair value, within the changes therein recognized in OCI until the assets are sold.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are recognized in the statement of operations.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

#### (b) Revenue recognition

##### *Sale and distribution of electricity*

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

##### *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

### 3. Significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### *Other revenue (continued)*

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

#### (c) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

#### (d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets may be capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

### 3. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution stations	45
Distribution lines, overhead	65
Distribution lines, underground	60
Distribution equipment	45 – 60
Distribution transformers	40
Meters	15 – 35
Communications equipment	10
Computer equipment	5
Office furniture	10
Tools and garage equipment	10
Trucks	10 - 15

#### (e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

### 3. Significant accounting policies (continued)

#### (f) Impairment

##### (i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

##### (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3. Significant accounting policies (continued)

#### (g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

#### (h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.



### 3. Significant accounting policies (continued)

#### (j) Post-employment benefits

##### i. Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

##### ii. Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Re-measurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss as part of operating expenses.

#### (k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations and unwinding of the discount on provisions, net interest expense on post-employment benefits and impairment losses on financial assets. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

### 3. Significant accounting policies (continued)

#### (l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

#### (m) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2016.

##### *Annual Improvements to IFRS (2012-2014) cycle*

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued;
- Operations;
- Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial;
- statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits; and
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting

The amendments did not result in a material impact on the financial statements.

## 4. Standards issued but not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

### *i. Disclosure Initiative*

On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

### *ii. Recognition of Deferred Tax Assets for Unrealized Losses*

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

### *iii. Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

## 4. Standards issued but not yet adopted (continued)

### iii. *Revenue from Contracts with Customers (continued)*

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### iv. *Financial Instruments*

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### v. *Leases*

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the standard to have a material impact on the financial statements.

## 4. Standards issued but not yet adopted (continued)

### vi. Annual Improvements to IFRS Standards (2014-2016) Cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standards:

- Clarification that IFRS 12 Disclosures of Interests in Other Entities also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;
- Removal of out-dated exemptions for first time adopters under IFRS 1 First-time Adoption of International Financial Reporting Standards, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 Investments in Associates and Joint Ventures for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017 or 2018 as applicable. The Company does not expect the amendments to have a material impact on the financial statements.

## 5. Accounts receivable

	2016	2015
Trade receivables	\$ 3,427,160	\$ 3,424,500
Other receivables	992,445	1,610,637
Billable work	429,569	79,624
	<u>\$ 4,849,174</u>	<u>\$ 5,114,761</u>

## 6. Materials and supplies

The amount of materials and supplies written down due to obsolescence in 2016 was \$2,548 (2015 - \$36,975).

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2016	\$ 2,499,556	\$38,746,643	\$2,300,672	\$ 953,823	\$44,500,694
Additions	7,144	5,519,871	259,843	(421,170)	5,365,688
Transfers	-	-	-	-	-
Disposals/retirements	-	(170,711)	(8,314)	-	(179,025)
Balance at December 31, 2016	\$ 2,506,700	\$44,095,803	\$2,552,201	\$ 532,653	\$49,687,357
Balance at January 1, 2015	\$ 2,458,607	\$35,458,418	\$1,910,171	\$ 312,233	\$40,139,429
Additions	40,949	3,492,705	391,289	641,590	4,566,533
Transfers	-	-	-	-	-
Disposals/retirements	-	(204,480)	(788)	-	(205,268)
Balance at December 31, 2015	\$ 2,499,556	\$38,746,643	\$2,300,672	\$ 953,823	\$44,500,694
<i>Accumulated depreciation</i>					
Balance at January 1, 2016	\$ 106,495	\$ 2,622,767	\$ 479,903	\$ -	\$3,209,165
Depreciation	53,976	1,423,440	306,812	-	1,784,228
Disposals/retirements	-	(23,454)	(8,314)	-	(31,768)
Balance at December 31, 2016	\$ 160,471	\$ 4,022,753	\$ 778,401	\$ -	\$4,961,625
Balance at January 1, 2015	\$ 53,025	\$ 1,276,268	\$ 216,150	\$ -	\$1,545,443
Depreciation	53,470	1,346,499	263,753	-	1,663,722
Disposals/retirements	-	-	-	-	-
Balance at December 31, 2015	\$ 106,495	\$ 2,622,767	\$ 479,903	\$ -	\$3,209,165
<i>Carrying amounts</i>					
At December 31, 2016	\$ 2,346,229	\$ 40,073,050	\$1,773,800	\$ 532,653	\$44,725,732
At December 31, 2015	2,393,061	36,123,876	1,820,769	953,823	41,291,529

At December 31, 2016 land and buildings with a carrying amount of \$2,346,229 (2015 - \$2,393,061) are subject to a general security agreement.

During the year, borrowing costs of nil (2015 - nil) were capitalized as part of the cost of property, plant and equipment. A capitalization rate of nil (2015 - nil) was used to determine the amount of borrowing costs to be capitalized.

PP&E and intangible asset purchase commitments outstanding as at December 31, 2016 was \$308,074 (2015 - \$820,622).

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 8. Intangible assets

	Goodwill	Computer software	Total
<i>Cost or deemed cost</i>			
Balance at January 1, 2016	\$ 2,214,322	\$ 527,609	\$ 2,741,931
Additions	-	406,812	406,812
Disposals/retirements	-	(252,608)	(252,608)
Balance at December 31, 2016	2,214,322	681,813	2,896,135
Balance at January 1, 2015	2,214,322	339,619	2,553,941
Additions	-	187,990	187,990
Balance at December 31, 2015	\$ 2,214,322	\$ 527,609	\$ 2,741,931
<i>Accumulated amortization</i>			
Balance at January 1, 2016	\$ -	\$ 239,615	\$ 239,615
Amortization	-	51,311	51,311
Disposals/retirements	-	(50,147)	(50,147)
Balance at December 31, 2016	-	240,779	240,779
Balance at January 1, 2015	-	114,869	114,869
Amortization	-	124,746	124,746
Balance at December 31, 2015	\$ -	\$ 239,615	\$ 239,615
<i>Carrying amounts</i>			
At December 31, 2016	\$ 2,214,322	\$ 441,034	\$ 2,655,356
At December 31, 2015	2,214,322	287,994	2,502,316

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 9. Income tax expense

Income tax expense is comprised of:

	2016	2015
Current tax expense	\$ 102,000	\$ 308,000
Deferred tax expense:		
Change in recognized deductible temporary differences		
Property, plant and equipment	\$ 324,000	\$ 311,000
Intangible assets	12,000	14,000
Post-retirement benefits	5,000	4,000
Unrealized interest	93,000	(47,000)
Other	42,000	(17,000)
	\$ 476,000	\$ 265,000
Income tax expense	\$ 578,000	\$ 573,000
Other comprehensive income		
Post-retirement benefits	(1,000)	(2,000)
Other	3,000	-
Net movement in regulatory balances	(337,000)	(345,000)
Income tax expense recognized in Statement of Comprehensive Income	\$ 243,000	\$ 226,000
Reconciliation of effective tax rate:		
	2016	2015
Income before taxes	\$ 2,191,504	\$2,128,120
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	581,000	564,000
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,000	3,000
Recognized deductible temporary differences due to/from customers	(337,000)	(345,000)
Other	(2,000)	4,000
Income tax expense	\$ 243,000	\$ 226,000



# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 9. Income tax expense (continued)

Significant components of the Corporation's deferred tax balances:

	2016	2015
Deferred tax assets (liabilities):		
Property, plant and equipment	\$(1,686,000)	\$ (1,362,000)
Intangible assets	(278,000)	(266,000)
Post-employment benefits	102,000	106,000
Unrealized interest	341,000	434,000
Other	(192,000)	(147,000)
	<u>\$(1,713,000)</u>	<u>\$ (1,235,000)</u>

## 10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances	January 1, 2016	Additions	Recovery/ reversal	December 31, 2016	Remaining recovery/ reversal years
Group 1 deferred accounts	\$ 2,814,478	\$ 2,521,233	\$ (201,225)	\$ 5,134,486	1
Regulatory settlement account	5,992,621	2,240,430	(145,944)	8,087,107	1
Other regulatory accounts	1,648,580	26,013	(291)	1,674,302	3
Income tax	1,626,000	337,000	-	1,963,000	
	<u>\$ 12,081,679</u>	<u>\$ 5,124,676</u>	<u>\$ (347,460)</u>	<u>\$ 16,858,895</u>	
Regulatory deferral account debit balances	January 1, 2015	Additions	Recovery/ reversal	December 31, 2015	Remaining years
Group 1 deferred accounts	\$ 7,916,718	\$ 953	\$ (5,103,193)	\$ 2,814,478	1
Regulatory settlement account	2,912,467	3,085,323	(5,169)	5,992,621	1
Other regulatory accounts	1,636,300	25,712	(13,432)	1,648,580	3
Income tax	1,281,000	345,000	-	1,626,000	
	<u>\$ 13,746,485</u>	<u>\$ 3,456,988</u>	<u>\$ (5,121,794)</u>	<u>\$ 12,081,679</u>	
Regulatory deferral account credit balances	January 1, 2016	Additions	Recovery/ reversal	December 31, 2016	Remaining years
Group 1 deferred accounts	\$ (2,115,484)	\$ 78,400	\$ (1,069,818)	\$ (3,106,902)	1
Regulatory settlement account	(4,654,794)	-	(3,120,138)	(7,774,932)	1
Other regulatory accounts	(1,715,797)	126,371	(6,304)	(1,595,730)	3
	<u>\$ (8,486,075)</u>	<u>\$ 204,771</u>	<u>\$ (4,196,260)</u>	<u>\$ (12,477,564)</u>	
Regulatory deferral account credit balances	January 1, 2015	Additions	Recovery/ reversal	December 31, 2015	Remaining years
Group 1 deferred accounts	\$ (4,507,771)	\$ 2,974,440	\$ (582,153)	\$ (2,115,484)	1
Regulatory settlement account	(2,301,645)	-	(2,353,149)	(4,654,794)	1
Other regulatory accounts	(1,712,206)	134,503	(138,094)	(1,715,797)	3
	<u>\$ (8,521,622)</u>	<u>\$ 3,108,943</u>	<u>\$ (3,073,396)</u>	<u>\$ (8,486,075)</u>	

## 10. Regulatory balances (continued)

*IFRS 14 Regulatory Deferral Accounts, paragraph 36* stipulates that “when an entity concludes that a regulatory deferral account balance is no longer fully recoverable or reversible, it shall disclose that fact, the reason why it is not recoverable or reversible and the amount by which the regulatory deferral account balance has been reduced.” The Corporation continues to reasonably expect full recovery of regulatory balances.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application was made to the OEB to recover \$1,447,781 of the Group 1 deferral accounts. Approval was received March 17, 2016. The approved account balance has been moved to the regulatory settlement account. The balance is to be recovered over a period of 12 months.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates. Settlement of the regulatory transition to IFRS account has been approved by the OEB with recovery from the customers over a period of up to 4 years, completed December 31, 2016.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2016 the annual rate was 1.1%.

## 11. Accounts payable and accrued liabilities

	2016	2015
Accounts payable – energy purchases	\$ 6,949,251	\$ 4,539,827
Debt retirement charge payable to OEFC	131,818	228,582
Payroll	64,807	99,812
Interest	86,448	78,099
Trade and other	1,714,247	1,669,905
	<u>\$ 8,946,571</u>	<u>\$ 6,616,225</u>

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 12. Long-term debt

	2016	2015
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 5.33% plus a stamping fee of 0.80%, payable in blended monthly installments of \$48,800, due February 22, 2022	\$ 2,587,274	\$ 3,000,340
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 3.38% plus a stamping fee of 1.65%, payable in blended monthly installments of \$27,900 due December 30, 2024	1,690,785	1,800,639
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 5.38% plus a stamping fee of 0.80%, payable in blended monthly installments of \$18,200 due July 2, 2027	2,202,000	2,420,154
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 3.34% plus a stamping fee of 1.00%, payable in blended monthly installments of \$22,705 due August 18, 2028	2,490,762	2,651,326
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 2.99% plus a stamping fee of 1.00%, payable in blended monthly installments of \$22,176 due June 12, 2029	2,615,774	2,774,070
Shareholder loan Municipality of South Bruce, 4.12% payable quarterly, interest only	292,498	292,498
Shareholder loan Town of Hanover, 4.12% payable quarterly, interest only	1,135,083	1,135,083
Shareholder loan Town of Saugeen Shores, 4.12% payable quarterly, interest only	3,062,913	3,062,913
Shareholder loan Township of Huron Kinloss, 4.12% payable quarterly, interest only	370,285	370,285
Shareholder loan Township of North Huron, 4.12% payable quarterly, interest only	399,682	399,682
	16,847,056	17,906,990
Current portion of term loans:	(1,117,733)	(1,059,933)
	\$ 15,729,323	\$ 16,847,057

CIBC Term secured bank loans are secured by a general security agreement conveying a security interest in the personal property of the Corporation, a first priority present and future fixed charge securing not more than \$2,500,000 over the real property at 24 Eastridge Road, and acknowledgement of fire insurance, with first loss payable to CIBC.

## 12. Long-term debt (continued)

The Corporation entered into an interest rate swap agreement on a notional principal of \$5,655,638 as at June 28, 2007 maturing on February 28, 2022 for CIBC Term #1. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 5.33% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,277,000 as at June 30, 2011 maturing on December 30, 2024 for CIBC Term #2. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.38% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$2,500,000 as at July 3, 2012 maturing on July 2, 2027 for CIBC Term #3. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 5.38% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,000,000 as at August 19, 2013 maturing on August 18, 2028 for CIBC Term #4. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.34% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,000,000 as at June 12, 2014 maturing on June 12, 2029 for CIBC Term #5. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 2.99% plus stamping fee.

The five swaps entered into by the Corporation do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are marked to market at each year end with the gain or loss recorded in the statement of operations. The net gain on all the swaps recorded in 2016 was \$350,268 (2015 loss - \$174,330).

The shareholders' notes are only due on demand to the extent the shareholder can request payment ninety days prior to year end. In the event a request is made, the Corporation is obligated to repay the shareholder during the following fiscal year. No repayments are required without a written request. No amounts were requested by shareholders of the Corporation on or before September 30, 2016. Shareholder loans bear interest at 4.12% payable quarterly.

## 13. Post-employment benefits

### (a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2016, the Corporation made employer contributions of \$248,751 to OMERS (2015 - \$251,526), of which approximately \$47,500 (2015 - \$23,751) has been capitalized as part of PP&E and the remaining amount of \$201,251 (2015 - \$227,774) has been recognized in profit or loss. The Corporation estimates that a contribution of \$260,000 to OMERS will be made during the next fiscal year.

As at December 31, 2016, OMERS had approximately 470,000 members, of whom 34 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2016, which reported that the plan was 93.4% funded, with an unfunded liability of \$5.7 billion. This unfunded liability is likely to result in future payments by participating employers and members.

### (b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2016	2015
Defined benefit obligation, beginning of year	\$ 398,965	\$ 406,551
Included in profit or loss		
Current service cost	-	144
Interest cost	14,644	14,881
	14,644	15,025
Included in OCI		
Actuarial (gains) losses arising from:		
Changes in actual and expected plan experience	(1,989)	7,467
Changes in financial assumptions	-	(183)
	(1,989)	7,284
Benefits paid	(25,193)	(29,895)
Defined benefit obligation, end of year	\$ 386,427	\$ 398,965
Actuarial assumptions	2016	2015
Discount rate	3.80%	3.80%
Salary levels	actuals	actuals

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$ 45,000. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$ 56,000.

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 14. Share capital

	2016	2015
Authorized:		
Unlimited number of common shares		
Issued:		
10,000 common shares	\$ 18,269,168	\$ 18,269,168

### Dividends

The Corporation has established a dividend policy with consideration given to the cash position, the working capital requirements, the net capital expenditures requirements and other considerations from time to time.

The Corporation paid aggregate dividends in the year on common shares of \$80 per share (2015 - \$75), which amount to total dividends paid in the year of \$800,000 (2015 - \$750,007).

## 15. Other revenue

	2016	2015
Rendering of services	\$ 485,973	\$ 522,117
Amortization of contributions received from customers	25,329	8,360
Revenue guarantee retained revenue	32,522	-
Performance incentive payments under CDM programs	-	140,226
	\$ 543,824	\$ 670,703

## 16. Employee salaries and benefits

	2016	2015
Salaries, wages and benefits	\$ 2,594,355	\$ 2,491,984
CPP and EI remittances	147,577	125,209
Contributions to OMERS	248,751	251,526
Post-employment benefit plans	25,193	25,274
	\$ 3,015,876	\$ 2,893,993

## 17. Operating expenses

	2016	2015
Contract/consulting	\$ 1,634,830	\$ 1,146,725
Materials and supplies	40,113	357,740
Vehicles	103,263	60,381
Write down of material and supplies	2,548	36,795
Losses on disposal of property, plant and equipment	146,493	201,444
Other	1,029,126	730,085
	\$ 2,956,373	\$ 2,533,170

# Westario Power Inc.

Notes to Financial Statements  
Year ended December 31, 2016

## 18. Finance income and costs

	2016	2015
Finance income		
Interest income on bank deposits	\$ 37,792	\$ 65,638
Finance costs		
Interest expense on long-term debt	\$ 830,637	\$ 918,821
Interest expense on customer deposits	7,651	2,230
Net interest expense on post-employment benefits	14,644	14,881
Impairment losses on accounts receivable	65,655	92,475
Other	56,273	58,925
	974,860	1,087,332
Net finance costs recognized in profit or loss	\$ 937,068	\$ 1,021,694

## 19. Commitments and contingencies

### Contractual Obligations

In the normal course of operations, the Corporation executes agreements that can provide for the indemnification to third parties in transactions such as service agreements and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement.

### General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

### General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2016, no assessments have been made.

## 20. Related party transactions

### Transactions with Shareholders

In the ordinary course of business, the Corporation delivers electricity to the following Shareholders that are billed at prices and under terms approved by the OEB.

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto

In the ordinary course of business, the Corporation receives and pays for services under contract for Information Technology from Canadian Niagara Power Inc. a subsidiary of FortisOntario Inc.

Outstanding balances due from/(due to) related parties and shareholders are:

	2016	2015
Due from:		
The Township of Huron-Kinloss	\$ 6,805	\$ -
The Municipality of Kincardine	73,326	-
The Municipality of South Bruce	66,184	34,393
The Town of Saugeen Shores	49,166	24,988
The Township of North Huron	36,957	371
The Municipality of Brockton	36,267	318
The Town of Hanover	65,882	17,922
The Town of Minto	45,484	-
	<u>\$ 380,071</u>	<u>\$ 77,992</u>
Due to:		
Canadian Niagara Power Inc.	\$ (29,867)	\$ (30,686)
The Township of Huron-Kinloss	-	(43,860)
The Municipality of Kincardine	-	(7,401)
The Town of Minto	-	(4,850)
	<u>(29,867)</u>	<u>(86,797)</u>
	<u>\$ 350,204</u>	<u>\$ (8,805)</u>



## 21. Financial instruments and risk management

### Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2016 is \$11,586,596 (2015 - \$14,282,876). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date from a third party banking institution.

The Corporation holds shares in Sunlife that are traded on the TSX under symbol SLF. The closing price on the last trading day of the year is used to calculate the fair value of these shares.

The swap agreements are measured at fair value, which are provided by a third party banking institution and is based on market rates at the date of the valuation.

### Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

#### (a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Communities served as outlined in note 1. No single customer accounts for a balance in excess of 9% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2016 is \$207,500 (2015 - \$246,000). An impairment loss of \$65,655 (2015 - \$90,250) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2016, approximately \$323,531 (2015 - \$343,390) is considered 60 days past due. The Corporation has over 23,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2016, the Corporation holds security deposits in the amount of \$531,720 (2015 - \$425,790).

## 21. Financial instruments and risk management (continued)

### (b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2016 would have increased interest expense on the long-term debt by \$168,471 (2015 - \$180,028), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

### (c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Corporation has access to a \$3.5 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. The line of credit bears interest at the bank's prime rate. The credit facility is secured by a general security agreement conveying a security interest in the personal property of the Corporation. As at December 31, 2016, \$491,269 amounts had been drawn under the Corporation's \$3.5 million credit facility.

The Corporation as part of its credit facility also has a bilateral facility for \$1,897,399 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,897,399 has been drawn and posted with the IESO (2015 - \$1,897,399).

The Corporation as part of its credit facility also has a standby letter of credit for \$100,000 (the "LC" facility) for the purpose of issuing letters of credit to the Ministry of Environment with regards to compliance under the terms of the Provisional Certificate of Approval for Waste Management System. Currently \$100,000 has been drawn and posted with the Ministry of Environment (2015 - \$100,000).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

### (d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2016, shareholder's equity amounts to \$31,291,627 (2015 - \$30,143,123) and long-term debt amounts to \$15,729,323 (2015 - \$16,847,057).



Financial Statements of

## **Westario Power Inc.**

Years ended December 31, 2015 and 2014



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Westario Power Inc.

We have audited the accompanying financial statements of Westario Power Inc. (the "Entity"), which comprise the statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015, and December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Westario Power Inc. as at December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015, and December 31, 2014 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

April 13, 2016

London, Canada

# WESTARIO POWER INC.

## Statements of Financial Position

		December 31,	December 31,	January 1,
	Note	2015	2014	2014
<b>Assets</b>				
<b>Current assets</b>				
Cash		\$ 1,516,547	\$ 4,005,265	\$ 1,067,616
Accounts receivable	5	5,114,761	4,748,713	4,386,801
Due from related parties	20	77,992	80,821	145,275
Unbilled revenue		6,317,802	6,100,310	5,562,805
Income taxes receivable		-	-	54,898
Materials and supplies	6	63,624	79,110	99,320
Prepaid expenses		148,599	262,225	257,333
Investment in equities		28,911	28,087	25,138
<b>Total current assets</b>		<b>13,268,236</b>	<b>15,304,531</b>	<b>11,599,186</b>
<b>Non-current assets</b>				
Property, plant and equipment	7	41,291,529	38,593,986	35,611,926
Intangible assets	8	2,502,316	2,439,072	2,438,452
Long-term assets		316,186	282,017	355,879
<b>Total non-current assets</b>		<b>44,110,031</b>	<b>41,315,075</b>	<b>38,406,257</b>
<b>Total assets</b>		<b>57,378,267</b>	<b>56,619,606</b>	<b>50,005,443</b>
Regulatory balances	10	12,081,679	13,746,485	11,785,169
<b>Total assets and regulatory balances</b>		<b>\$ 69,459,946</b>	<b>\$ 70,366,091</b>	<b>\$ 61,790,612</b>

See accompanying notes to the financial statements.

# WESTARIO POWER INC.

## Statements of Financial Position

	Note	December 31, 2015	December 31, 2014	January 1, 2014
<b>Liabilities</b>				
<b>Current liabilities</b>				
Account payable and accrued liabilities	11	\$ 6,616,225	\$ 8,076,361	\$ 7,331,905
Due to related parties	20	86,797	41,977	60,447
Income taxes payable		6,994	342,948	-
Long-term debt due within one year	12	1,059,933	1,005,197	807,186
Customer deposits		1,155,740	991,993	829,011
<b>Total current liabilities</b>		<b>8,925,689</b>	<b>10,458,476</b>	<b>9,028,549</b>
<b>Non-current liabilities</b>				
Long-term debt	12	16,847,057	17,906,990	15,986,002
Post-employment benefits	13	398,965	406,551	378,046
Deferred revenue		1,787,690	1,647,425	700,559
Deferred tax liabilities	9	1,235,000	972,000	625,000
Unrealized loss on interest rate swap		1,636,347	1,462,017	1,003,791
<b>Total non-current liabilities</b>		<b>21,905,059</b>	<b>22,394,983</b>	<b>18,693,398</b>
<b>Total liabilities</b>		<b>30,830,748</b>	<b>32,853,459</b>	<b>27,721,947</b>
<b>Equity</b>				
Share capital	14	18,269,168	18,269,168	18,269,168
Retained earnings		11,903,380	10,744,811	9,529,288
Accumulated other comprehensive income (loss)		(29,425)	(22,969)	11,904
<b>Total equity</b>		<b>30,143,123</b>	<b>28,991,010</b>	<b>27,810,360</b>
<b>Total liabilities and equity</b>		<b>60,973,871</b>	<b>61,844,469</b>	<b>55,532,307</b>
Regulatory balances	10	8,486,075	8,521,622	6,258,305
<b>Total liabilities, equity and regulatory balances</b>		<b>\$ 69,459,946</b>	<b>\$ 70,366,091</b>	<b>\$ 61,790,612</b>

Commitments and contingencies (note 19)

See accompanying notes to the financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# WESTARIO POWER INC.

## Statements of Comprehensive Income

Year ended December 31, 2015, with comparative information for 2014

	Note	2015	2014
<b>Revenue</b>			
Sale of energy		\$ 55,617,317	\$ 51,846,241
Distribution revenue		9,599,672	9,810,641
Other	15	670,703	617,677
		65,887,692	62,274,559
<b>Operating expenses</b>			
Cost of power purchased		53,632,762	51,322,486
Employee salaries and benefits	16	2,893,993	2,874,745
Operating expenses	17	2,533,170	2,506,694
Depreciation and amortization		1,522,909	1,433,249
		60,582,834	58,137,174
<b>Income from operating activities</b>		<b>5,304,858</b>	<b>4,137,385</b>
Finance income	18	65,638	91,544
Finance costs	18	1,087,332	1,100,738
Unrealized loss on interest rate swap		174,330	458,226
<b>Income before income taxes</b>		<b>4,108,834</b>	<b>2,669,965</b>
Income tax expense	9	573,000	457,000
<b>Net income for the year</b>		<b>3,535,834</b>	<b>2,212,965</b>
Net movement in regulatory balances, net of tax	10	(1,627,258)	(292,002)
<b>Net income for the year and net movement in regulatory balances</b>		<b>1,908,576</b>	<b>1,920,963</b>
<b>Other comprehensive income</b>			
Items that will be reclassified to profit or loss:			
Change in fair value of investment in equities		828	2,949
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefits	13	(7,284)	(37,822)
Tax on re-measurements	9	2,000	10,000
Net movement in regulatory balances, net of tax	10	(2,000)	(10,000)
<b>Other comprehensive income for the year</b>		<b>(6,456)</b>	<b>(34,873)</b>
<b>Total comprehensive income for the year</b>		<b>\$ 1,902,120</b>	<b>\$ 1,886,090</b>

See accompanying notes to the financial statements.

# WESTARIO POWER INC.

## Statements of Changes in Equity

Year ended December 31, 2015, with comparative information for 2014

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
<b>Balance at January 1, 2014</b>	\$ 18,269,168	\$ 9,529,288	\$ 11,904	\$ 27,810,360
Net Income and net movement in regulatory balances	-	1,920,963	-	1,920,963
Other comprehensive income	-	-	(34,873)	(34,873)
Dividends	-	(705,440)	-	(705,440)
<b>Balance at December 31, 2014</b>	<b>\$ 18,269,168</b>	<b>\$ 10,744,811</b>	<b>\$ (22,969)</b>	<b>\$ 28,991,010</b>
<b>Balance at January 1, 2015</b>	\$ 18,269,168	\$ 10,744,811	\$ (22,969)	\$ 28,991,010
Net income and net movement in regulatory balances	-	1,908,576	-	1,908,576
Other comprehensive income	-	-	(6,456)	(6,456)
Dividends	-	(750,007)	-	(750,007)
<b>Balance at December 31, 2015</b>	<b>\$ 18,269,168</b>	<b>\$ 11,903,380</b>	<b>\$ (29,425)</b>	<b>\$ 30,143,123</b>

See accompanying notes to the financial statements.



# WESTARIO POWER INC.

## Statements of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
<b>Operating activities</b>		
Net Income and net movement in regulatory balances	\$ 1,908,576	\$ 1,920,963
Adjustments for:		
Depreciation and amortization	1,788,468	1,685,105
Amortization of deferred revenue	(8,360)	(8,360)
Post-employment benefits	(29,751)	(25,560)
Loss on disposal of property, plant and equipment	201,444	191,700
Unrealized loss on interest rate swap	174,330	458,226
Net finance costs	929,219	840,783
Income tax expense	573,000	457,000
	<b>5,536,926</b>	<b>5,519,857</b>
Change in non-cash operating working capital:		
Accounts receivable	(366,048)	(361,912)
Due to/from related parties	47,649	45,984
Unbilled revenue	(217,492)	(537,505)
Materials and supplies	15,486	20,210
Prepaid expenses	113,626	(4,892)
Accounts payable and accrued liabilities	(1,460,136)	744,456
Customer deposits	163,747	162,982
	<b>(1,703,168)</b>	<b>69,323</b>
Regulatory balances	1,627,258	292,002
Income tax paid	(643,950)	-
Income tax received	-	297,842
Interest paid	(979,976)	(916,084)
Interest received	65,638	91,544
<b>Net cash from operating activities</b>	<b>3,902,728</b>	<b>5,354,484</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,566,533)	(4,756,568)
Proceeds on disposal of property, plant and equipment	3,824	12,574
Purchase of intangible assets	(187,990)	(115,489)
Contributions received from customers	148,625	955,226
Long-term assets	(34,169)	73,862
<b>Net cash used by investing activities</b>	<b>(4,636,243)</b>	<b>(3,830,395)</b>
<b>Financing activities</b>		
Dividends paid	(750,007)	(705,440)
Additions to long-term debt	-	3,000,000
Repayment of long-term debt	(1,005,196)	(881,000)
<b>Net cash from financing activities</b>	<b>(1,755,203)</b>	<b>1,413,560</b>
Change in cash	(2,488,718)	2,937,649
Cash, beginning of year	4,005,265	1,067,616
<b>Cash, end of year</b>	<b>\$ 1,516,547</b>	<b>\$ 4,005,265</b>

See accompanying notes to the financial statements.

## 1. Reporting entity

Westario Power Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Walkerton of the Municipality of Brockton. The address of the Corporation's registered office is 24 Eastridge Road, Walkerton, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the following communities, specifically:

- The Township of Huron-Kinloss (Villages of Ripley and Lucknow)
- The Municipality of Kincardine (Kincardine Ward 1)
- The Municipality of South Bruce (Villages of Mildmay and Teeswater)
- The Town of Saugeen Shores (Towns of Port Elgin and Southampton)
- The Township of North Huron (Town of Wingham)
- The Municipality of Brockton (Town of Walkerton and Village of Elmwood)
- The Town of Hanover (Town of Hanover)
- The Town of Minto (Towns of Harriston and Palmerston, Village of Clifford)
- The Municipality of West Grey (Village of Neustadt)

The Corporation is owned generally by the communities they serve, specifically:

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto
- FortisOntario Inc.

The financial statements are for the Corporation as at and for the year ended December 31, 2015.

## 2. Basis of presentation

### (a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### (b) Adoption of IFRS

These are the Corporation's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 22.

The financial statements were approved by the Board of Directors on April 13, 2016.

### (c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

## 2. Basis of presentation (continued)

### (d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

### (e) Use of estimates

#### Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3(b) – measurement of unbilled revenue
- (ii) Notes 7, 8 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 10 – recognition and measurement of regulatory balances
- (iv) Note 13 – measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 19 – recognition and measurement of provisions and contingencies

### (f) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe licence requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

#### Rate setting

#### *Distribution revenue*

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a

## 2. Basis of presentation (continued)

### (f) Rate regulation (continued)

review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licenced distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a Cost of Service application on October 10, 2012 for rates effective May 1, 2013 to April 30, 2014, with annual Incentive Regulation Mechanism ("IRM") filed September 29, 2014 for rates effective May 1, 2015 to April 30, 2016. The GDP IPI-FDD for 2015 is 2.1%, the Corporation's productivity factor is nil% and the stretch factor is 0.3%, resulting in a net adjustment of 1.8% to the previous year's rates.

#### *Electricity rates*

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2014 for the purpose of the transition to IFRS.

### (a) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities except for investment in equities which is classified as available for sale. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

### 3. Significant accounting policies (continued)

#### (a) Financial instruments (continued)

Available for sale financial assets are subsequently measured at fair value, within the changes therein recognized in OCI until the assets are sold.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are recognized in the statement of operations.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

#### (b) Revenue recognition

##### *Sale and distribution of electricity*

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

##### *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

### 3. Significant accounting policies (continued)

#### (c) Materials and supplies

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

#### (d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date (see note 22), less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets may be capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

### 3. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution stations	45
Distribution lines, overhead	65
Distribution lines, underground	60
Distribution equipment	45 – 60
Distribution transformers	40
Meters	15 – 35
Communications equipment	10
Computer equipment	5
Office furniture	10
Tools and garage equipment	10
Trucks	10 - 15

#### (e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date (see note 22), less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

#### (f) Impairment

##### (i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.



### 3. Significant accounting policies (continued)

#### (f) Impairment (continued)

##### (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorate basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

#### (h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



### 3. Significant accounting policies (continued)

#### (i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

#### (j) Post-employment benefits

##### (i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

## 4. Significant accounting policies (continued)

### (j) Post-employment benefits (continued)

#### (ii) Post-employment benefits, other than pension

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Re-measurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss as part of operating expenses.

### (k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings, finance lease obligations and unwinding of the discount on provisions, net interest expense on post-employment benefits and impairment losses on financial assets. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

### (l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

#### 4. Standards issued but not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

##### *Depreciation and Amortization*

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The Company intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

##### *Annual Improvement to IFRSs*

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

Each of the amendments has its own specific transition requirements.

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;

- Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;

- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits; and

- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

## 4. Standards issued but not yet adopted (continued)

### *Disclosure*

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

### *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### *Financial Instruments*

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

## 4. Standards issued but not yet adopted (continued)

### *Financial Instruments (continued)*

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### *Leases*

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

## 5. Accounts receivable

	December 31, 2015	December 31, 2014	January 1, 2014
Trade receivables	\$3,424,500	\$ 3,882,626	\$ 3,588,502
Other trade receivables	1,610,637	710,765	530,131
Billable work	79,624	155,322	268,168
	<u>\$5,114,761</u>	<u>\$ 4,748,713</u>	<u>\$ 4,386,801</u>

## 6. Materials and supplies

Amount written down due to obsolescence in 2015 was \$36,975 (2014 - \$7,990).

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2015	\$ 2,458,607	\$35,458,418	\$1,910,171	\$ 312,233	\$40,139,429
Additions	40,949	3,492,705	391,289	641,590	4,566,533
Transfers	-	-	-	-	-
Disposals/retirements	-	(204,480)	(788)	-	(205,268)
Balance at December 31, 2015	\$ 2,499,556	\$38,746,643	\$2,300,672	\$ 953,823	\$44,500,694
Balance at January 1, 2014	\$ 2,419,178	\$ 31,620,279	\$ 1,439,211	\$ 133,258	\$35,611,926
Additions	39,429	4,029,838	508,326	178,975	4,756,568
Transfers	-	-	-	-	-
Disposals/retirements	-	(191,699)	(37,366)	-	(229,065)
Balance at December 31, 2014	\$ 2,458,607	\$ 35,458,418	\$ 1,910,171	\$ 312,233	\$40,139,429
<i>Accumulated depreciation</i>					
Balance at January 1, 2015	\$ 53,025	\$ 1,276,268	\$ 216,150	\$ -	\$ 1,545,443
Depreciation	53,470	1,346,499	263,753	-	1,663,722
Disposals/retirements	-	-	-	-	-
Balance at December 31, 2015	\$ 106,495	\$ 2,622,767	\$ 479,903	\$ -	\$ 3,209,165
Balance at January 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	53,025	1,276,268	240,944	-	1,570,237
Disposals/retirements	-	-	(24,794)	-	(24,794)
Balance at December 31, 2014	\$ 53,025	\$ 1,276,268	\$ 216,150	\$ -	\$ 1,545,443
<i>Carrying amounts</i>					
At December 31, 2015	\$ 2,393,061	\$36,123,876	\$1,820,769	\$ 953,823	\$41,291,529
At December 31, 2014	2,405,582	34,182,150	1,694,021	312,233	38,593,986
At January 1, 2014	2,419,178	31,620,279	1,439,211	133,258	35,611,926

At December 31, 2015 land and buildings with a carrying amount of \$2,393,061 (2014 - \$2,405,582) are subject to a general security agreement.

During the year, borrowing costs of nil (2014 - nil) were capitalized as part of the cost of property, plant and equipment. A capitalization rate of nil (2014 - nil) was used to determine the amount of borrowing costs to be capitalized.

PP&E and intangible asset purchase commitments outstanding as at December 31, 2015 was \$820,622 (2014 - \$495,459).

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 8. Intangible assets

	Goodwill	Computer software	Total
<i>Cost or deemed cost</i>			
Balance at January 1, 2015	\$ 2,214,322	\$ 339,619	\$ 2,553,941
Additions	-	187,990	187,990
Balance at December 31, 2015	2,214,322	527,609	2,741,931
Balance at January 1, 2014	2,214,322	224,130	2,438,452
Additions	-	115,489	115,489
Balance at December 31, 2014	\$ 2,214,322	\$ 339,619	\$ 2,553,941
<i>Accumulated amortization</i>			
Balance at January 1, 2015	\$ -	\$ 114,869	\$ 114,869
Amortization	-	124,746	124,746
Balance at December 31, 2015	-	239,615	239,615
Balance at January 1, 2014	-	-	-
Amortization	-	114,869	114,869
Balance at December 31, 2014	\$ -	\$ 114,869	\$ 114,869
<i>Carrying amounts</i>			
At December 31, 2015	\$ 2,214,322	\$ 287,994	\$ 2,502,316
At December 31, 2014	2,214,322	224,750	2,439,072
At January 1, 2014	2,214,322	224,130	2,438,452

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 9. Income tax expense

Income tax expense is comprised of:

	December 31, 2015	December 31, 2014
Current tax expense		
Current year	\$ 308,000	\$ 343,000
Adjustment for prior years	-	(243,000)
	\$ 308,000	\$ 100,000
Deferred tax expense		
Change in recognized deductible temporary differences		
Property, plant and equipment	311,000	466,000
Intangible assets	14,000	13,000
Post-retirement benefits	4,000	2,000
Unrealized interest	(47,000)	(121,000)
Other	(17,000)	(3,000)
	\$ 265,000	\$ 357,000
Income tax expense	\$ 573,000	\$ 457,000
Other comprehensive income		
Post-retirement benefits	(2,000)	(10,000)
Net movement in regulatory balances	(345,000)	(452,000)
Income tax expense recognized in Statement of Comprehensive Income	\$ 226,000	\$ (5,000)
Reconciliation of effective tax rate:		
	December 31, 2015	December 31, 2014
Income before taxes	\$ 2,128,120	\$ 1,881,090
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	564,000	498,000
Increase (decrease) in income taxes resulting from:		
Permanent differences	3,000	1,000
Recognized deductible temporary differences due to/from customers	(345,000)	(452,000)
Other	4,000	(52,000)
Income tax expense	\$ 226,000	\$ (5,000)



# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 9. Income tax expense (continued)

Significant components of the Corporation's deferred tax balances:

	December 31, 2015	December 31, 2014	January 1, 2014
Deferred tax assets (liabilities):			
Property, plant and equipment	\$(1,362,000)	\$(1,051,000)	\$ (585,000)
Cumulative eligible capital	(266,000)	(252,000)	(239,000)
Post-employment benefits	106,000	108,000	100,000
Unrealized interest	434,000	387,000	266,000
Other	(147,000)	(164,000)	(167,000)
	<u>\$(1,235,000)</u>	<u>\$ (972,000)</u>	<u>\$ (625,000)</u>

## 10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2015	Additions	Recovery/ reversal	December 31, 2015	Remaining recovery/ reversal years
Group 1 deferred accounts	\$ 7,916,718	\$ 953	\$ (5,103,193)	\$ 2,814,478	1
Regulatory settlement account	2,912,467	3,085,323	(5,169)	5,992,621	1
Other regulatory accounts	1,636,300	25,712	(13,432)	1,648,580	3
Income tax	1,281,000	345,000	-	1,626,000	-
	<u>\$13,746,485</u>	<u>\$ 3,456,988</u>	<u>\$ (5,121,794)</u>	<u>\$ 12,081,679</u>	

Regulatory deferral account debit balances	January 1, 2014	Additions	Recovery/ reversal	December 31, 2014	Remaining years
Group 1 deferred accounts	\$ 6,414,559	\$1,507,479	\$ (5,320)	\$ 7,916,718	1
Regulatory settlement account	2,893,088	19,379	-	2,912,467	1
Other regulatory accounts	1,648,522	23,778	(36,000)	1,636,300	3
Income tax	829,000	452,000	-	1,281,000	-
	<u>\$ 11,785,169</u>	<u>\$ 2,002,636</u>	<u>\$ (41,320)</u>	<u>\$ 13,746,485</u>	

Regulatory deferral account credit balances	January 1, 2015	Additions	Recovery/ reversal	December 31, 2015	Remaining years
Group 1 deferred accounts	\$ (4,507,771)	\$ 2,974,440	\$ (582,153)	\$ (2,115,484)	1
Regulatory settlement account	(2,301,645)	-	(2,353,149)	(4,654,794)	1
Other regulatory accounts	(1,712,206)	134,503	(138,094)	(1,715,797)	3
	<u>\$ (8,521,622)</u>	<u>\$ 3,108,943</u>	<u>\$ (3,073,396)</u>	<u>\$ (8,486,075)</u>	

Regulatory deferral account credit balances	January 1, 2014	Additions	Recovery/ reversal	December 31, 2014	Remaining years
Group 1 deferred accounts	\$ (3,873,448)	\$ 42,118	\$ (676,441)	\$ (4,507,771)	1
Regulatory settlement account	(891,520)	-	(1,410,125)	(2,301,645)	1
Other regulatory accounts	(1,493,337)	134,502	(353,371)	(1,712,206)	3
	<u>\$ (6,258,305)</u>	<u>\$ 176,620</u>	<u>\$ (2,439,937)</u>	<u>\$ (8,521,622)</u>	

## 10. Regulatory balances (continued)

*IFRS 14 Regulatory Deferral Accounts, paragraph 36* stipulates that “when an entity concludes that a regulatory deferral account balance is no longer fully recoverable or reversible, it shall disclose that fact, the reason why it is not recoverable or reversible and the amount by which the regulatory deferral account balance has been reduced.” The Corporation continues to reasonably expect full recovery of regulatory balances.

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application has been made to the OEB to recover \$1,447,781 of the Group 1 deferral accounts. Approval was received March 17, 2016. The approved account balance will be moved to the regulatory settlement account. The balance is to be recovered over a period of 12 months. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates. Settlement of the regulatory transition to IFRS account has been approved by the OEB with recovery from the customers over a period of up to 4 years, completed December 31, 2016.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2015 the annual rate was 1.10%.

## 11. Accounts payable and accrued liabilities

	December 31 2015	December 31, 2014	January 1, 2014
Accounts payable – energy purchases	\$ 4,539,827	\$ 6,478,018	\$ 6,155,125
Debt retirement charge payable to OEFC	228,582	263,137	258,574
Payroll payable	99,812	152,482	255,811
Interest payable	78,099	20,501	16,486
Other	1,669,905	1,162,223	645,909
	<u>\$ 6,616,225</u>	<u>\$ 8,076,361</u>	<u>\$ 7,331,905</u>

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 12. Long-term debt

	December 31, 2015	December 31, 2014	January 1, 2014
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 5.33% plus a stamping fee of 0.80%, payable in blended monthly installments of \$48,800, due February 22, 2022	\$ 3,000,340	\$ 3,388,905	\$ 3,754,424
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 3.38% plus a stamping fee of 1.65%, payable in blended monthly installments of \$27,900 due December 30, 2024	2,420,154	2,627,626	2,824,943
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 5.38% plus a stamping fee of 0.80%, payable in blended monthly installments of \$18,200 due July 2, 2027	1,800,639	1,903,926	2,001,038
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 3.34% plus a stamping fee of 1.00%, payable in blended monthly installments of \$22,705 due August 18, 2028	2,651,326	2,805,084	2,952,322
Non-revolving term installment loan bearing interest at the Banker's Acceptance rate of 2.99% plus a stamping fee of 1.00%, payable in blended monthly installments of \$22,176 due June 12, 2029	2,774,070	2,926,185	-
Shareholder loans Municipality of South Bruce, 4.12% payable quarterly, interest only	292,498	292,498	292,498
Shareholder loan Town of Hanover, 4.12% payable quarterly, interest only	1,135,083	1,135,083	1,135,083
Shareholder loan Town of Saugeen Shores, 4.12% payable quarterly, interest only	3,062,913	3,062,913	3,062,913
Shareholder loan Township of Huron Kinloss, 4.12% payable quarterly, interest only	370,285	370,285	370,285
Shareholder loan Township of North Huron, 4.12% payable quarterly, interest only	399,682	399,682	399,682
	17,906,990	18,912,187	16,793,188
Current portion of term loans:	(1,059,933)	(1,005,197)	(807,186)
	<u>\$16,847,057</u>	<u>\$17,906,990</u>	<u>\$15,986,002</u>

## 12. Long-term debt (continued)

CIBC Term secured bank loans are secured by a general security agreement conveying a security interest in the personal property of the Corporation, a first priority present and future fixed charge securing not more than \$2,500,000 over the real property at 24 Eastridge Road, and acknowledgement of fire insurance, with first loss payable to CIBC.

The Corporation entered into an interest rate swap agreement on a notional principal of \$5,655,638 as at June 28, 2007 maturing on February 28, 2022 for CIBC Term #1. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 5.33% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,277,000 as at June 30, 2011 maturing on December 30, 2024 for CIBC Term #2. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.38% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$2,500,000 as at July 3, 2012 maturing on July 2, 2027 for CIBC Term #3. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 5.38% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,000,000 as at August 19, 2013 maturing on August 18, 2028 for CIBC Term #4. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 3.34% plus stamping fee.

The Corporation entered into an interest rate swap agreement on a notional principal of \$3,000,000 as at June 12, 2014 maturing on June 12, 2029 for CIBC Term #5. The swap is a receive variable, pay fixed swap with the CIBC World Markets. This agreement has effectively converted variable interest rates on the unsecured Banker's Acceptances to an effective fixed interest rate of 2.99% plus stamping fee.

The five swaps entered into by the Corporation do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are marked to market at each year end with the gain or loss recorded in the statement of operations. The net loss on all the swaps recorded in 2015 was \$174,330 (2014 - \$458,226).

The shareholders' notes are only due on demand to the extent the shareholder can request payment ninety days prior to year end. In the event a request is made, the Corporation is obligated to repay the shareholder during the following fiscal year. No repayments are required without a written request. No amounts were requested by shareholders of the Corporation on or before September 30, 2015. Shareholder loans bear interest at 4.12% payable quarterly.

## 13. Post-employment benefits

### (a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2015, the Corporation made employer contributions of \$251,526 to OMERS (2014 - \$254,108), of which \$23,751 (2014 - \$23,815) has been capitalized as part of PP&E and the remaining amount of \$227,774 (2014 - \$230,293) has been recognized in profit or loss. The Corporation estimates that a contribution of \$250,000 to OMERS will be made during the next fiscal year.

As at December 31, 2015, OMERS had approximately 420,000 members, over 97 employers, with 278,000 active members, and over \$77 billion of net assets. The most recently available OMERS annual report is for the year ended December 31, 2015, which reported that the plan was 91.5% funded, with an unfunded liability of \$7.1 billion. This unfunded liability is likely to result in future payments by participating employers and members and as noted by OMERS they are on track to 100% funded by 2025.

### (b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2015	2014
Defined benefit obligation, beginning of year	\$ 406,551	\$ 378,046
Included in profit or loss		
Current service cost	144	508
Interest cost	14,881	16,243
	15,025	16,751
Included in OCI		
Actuarial (gains) losses arising from:		
Changes in actual and expected plan experience	7,467	35,251
Changes in demographic assumptions	-	(29,826)
Changes in financial assumptions	(183)	32,397
	7,284	37,822
Benefits paid	(29,895)	(26,068)
Defined benefit obligation, end of year	\$ 398,965	\$ 406,551
Actuarial assumptions	2015	2014
Discount (interest) rate	3.80%	4.45%
Salary levels	actuals	actuals

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 13. Post-employment benefits (continued)

### (b) Post-employment benefits other than pension (continued)

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$ 47,000. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$ 58,000.

## 14. Share capital

	2015	2014
Authorized:		
Unlimited number of common shares		
Issued:		
10,000 common shares	\$ 18,269,168	\$ 18,269,168

### Dividends

The Corporation has established a dividend policy with consideration given to the cash position, the working capital requirements, the net capital expenditures requirements and other considerations from time to time.

The Corporation paid aggregate dividends in the year on common shares of \$75.00 per share (2014 - \$70.54), which amount to total dividends paid in the year of \$750,007 (2014 - \$705,440).

## 15. Other revenue

	2015	2014
Rendering of services	\$ 522,117	\$ 567,846
Contributions received from customers	8,360	8,361
Performance incentive payments under CDM programs	140,226	41,470
	\$ 670,703	\$ 617,677

## 16. Employee salaries and benefits

	2015	2014
Salaries, wages and benefits	\$ 2,491,984	\$ 2,423,099
CPP and EI remittances	125,209	138,614
Contributions to OMERS	251,526	254,108
Post-employment benefit plans	25,274	58,924
	\$ 2,893,993	\$ 2,874,745

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 17. Operating expenses

	2015	2014
Contract/consulting	\$ 1,146,725	\$ 1,099,838
Materials and supplies	357,740	342,577
Vehicles	60,381	77,682
Write down of material and supplies	36,795	7,990
Losses on disposal of property, plant and equipment	201,444	191,700
Other	730,085	786,907
	\$ 2,533,170	\$ 2,506,694

## 18. Finance income and costs

	2015	2014
Finance income		
Interest income on bank deposits	\$ 65,638	\$ 91,544
Finance costs		
Interest expense on long-term debt	918,821	882,624
Interest expense on customer deposits	2,230	2,264
Net interest expense on post-employment benefits	14,881	16,243
Impairment losses on accounts receivable	92,475	168,411
Other	58,925	31,196
	1,087,332	1,100,738
Net finance costs recognized in profit or loss	\$ 1,021,694	\$ 1,009,194

## 19. Commitments and contingencies

### Contractual Obligations

In the normal course of operations, the Corporation executes agreements that can provide for the indemnification to third parties in transactions such as service agreements and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement.

### General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

### General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2015, no assessments have been made.

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 20. Related party transactions

### Transactions with Shareholders

In the ordinary course of business, the Corporation delivers electricity to the following Shareholders that are billed at prices and under terms approved by the OEB.

- The Township of Huron-Kinloss
- The Municipality of Kincardine
- The Municipality of South Bruce
- The Town of Saugeen Shores
- The Township of North Huron
- The Municipality of Brockton
- The Town of Hanover
- The Town of Minto

In the ordinary course of business, the Corporation receives and pays for services under contract for Information Technology from Canadian Niagara Power Inc. a subsidiary of FortisOntario Inc.

### Outstanding balances with related parties and shareholders

	December 31, 2015	December 31, 2014	January 1, 2014
Canadian Niagara Power Inc.	\$ (30,686)	\$ (29,999)	\$ (33,975)
The Township of Huron-Kinloss	(43,860)	(1,410)	(3,385)
The Municipality of Kincardine	(7,401)	4,115	3,519
The Municipality of South Bruce	34,393	36,576	141,756
The Town of Saugeen Shores	24,988	36,760	(4,288)
The Township of North Huron	371	(2,752)	(1,039)
The Municipality of Brockton	318	--	(8,570)
The Town of Hanover	17,922	(7,816)	(9,190)
The Town of Minto	(4,850)	3,370	-
	\$ (8,805)	\$ 38,844	\$ 84,828

## 21. Financial instruments and risk management

### Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2015 is \$14,282,876 (2014 - \$15,113,742). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date from a third party banking institution.

The Corporation holds shares in Sunlife that are traded on the TSX under symbol SLF. The closing price on the last trading day of the year is used to calculate the fair value of these shares.



## 21. Financial instruments and risk management (continued)

### Fair value disclosure (continued)

The swap agreements are measured at fair value, which are provided by a third party banking institution and is based on market rates at the date of the valuation.

### Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

#### (a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Communities served as outlined in note 1. No single customer accounts for a balance in excess of 9% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2015 is \$246,000 (2014 - \$372,000). An impairment loss of \$90,250 (2014 - \$134,000) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2015, approximately \$343,390 (2014 - \$489,291) is considered 60 days past due. The Corporation has over 23,000 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2015, the Corporation holds security deposits in the amount of \$425,790 (2014 - \$400,469).

#### (b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2015 would have increased interest expense on the long-term debt by \$180,028 (2014 - \$188,989), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

## 21. Financial instruments and risk management (continued)

### (c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Corporation has access to a \$3.5 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. The line of credit bears interest at the bank's prime rate. The credit facility is secured by a general security agreement conveying a security interest in the personal property of the Corporation. As at December 31, 2015, no amounts had been drawn under the Corporation's \$3.5 million credit facility.

The Corporation as part of its credit facility also has a bilateral facility for \$1,897,399 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,897,399 has been drawn and posted with the IESO (2014 - \$1,897,399).

The Corporation as part of its credit facility also has a standby letter of credit for \$100,000 (the "LC" facility) for the purpose of issuing letters of credit to the Ministry of Environment with regards to compliance under the terms of the Provisional Certificate of Approval for Waste Management System. Currently \$100,000 has been drawn and posted with the Ministry of Environment (2014 - \$100,000).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

### (d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2015, shareholder's equity amounts to \$30,143,123 (2014 - \$28,991,010) and long-term debt amounts to \$16,847,057 (2014 - \$17,906,990).

## 22. Explanation of transition to IFRS

As stated in note 2(b), these are the Corporation's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2015, the comparative information presented in these financial statements for the year ended December 31, 2014, and in the preparation of the opening IFRS Statement of Financial Position as at January 1, 2014 (the Corporation's date of transition).

## 22. Explanation of transition to IFRS (continued)

In preparing its opening IFRS Statement of Financial Position, the Corporation has adjusted the amounts reported previously in the financial statements prepared in accordance with Canadian general accepted accounting principles (CGAAP). An explanation of how the transition from CGAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes accompanying the tables. Regulatory accounts

IFRS14: *Regulatory Deferral Accounts*, permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts IFRS. An entity is permitted to apply the requirements of this standard in its first IFRS financial statements if and only if it conducts rate-regulated activities and recognized amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP. This standard exempts an entity from applying paragraph 11 of IAS8: *Accounting policies, changes in accounting estimates and errors*, to its accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral account balances.

IFRS 14 is effective from periods beginning on or after January 1, 2016, however, early application is permitted. The Corporation has elected to apply this Standard in its first IFRS financial statements.

### IFRS 1 Exemptions

IFRS 1 *First-time adoption of International Financial Reporting Standards* sets out the procedures that the Corporation must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Corporation is required to establish its IFRS accounting policies as at December 31, 2015 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position as its date of transition, January 1, 2014. This standard provides a number of mandatory and optional exemptions to this general principle. These are set out below, together with a description in each case of the exemption adopted by the Corporation.

#### (a) Business combinations

IFRS 1 provides an optional exemption whereby a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred prior to the date of transition. The Corporation has elected this exemption and did not restate business combinations that occurred prior to the date of transition.

#### (b) Transfer of assets from customers

The Corporation has elected to apply the transitional provisions in IFRIC 18 *Transfers of Assets from Customers*. This provision states that the effective date of this standard should be July 1, 2009 or the date of transition to IFRS (January 1, 2014) whichever is the later.

#### (c) Deemed cost

IFRS 1 provides an optional exemption for a first-time adopter with rate-regulated activities to use the carrying amount of PP&E and intangible assets as deemed cost on transition date when the carrying amount includes costs that do not qualify for capitalization in accordance with IFRS. The Corporation elected this exemption and used the carrying amount of the PP&E and intangible assets under CGAAP as deemed cost on transition date. The carrying amount used as deemed cost is \$35,611,926 for PP&E and \$2,438,452 for intangible assets.

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 22. Explanation of transition to IFRS (continued)

### (c) Deemed cost (continued)

If an entity applies this exemption, at the date of transition to IFRS, it shall test for impairment each item for which this exemption is used. The assets were tested for impairment at the date of transition and it was determined that the assets were not impaired.

### Reconciliation of statement of financial position and statement of changes in equity

January 1, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
Cash and cash equivalents	-	\$ 1,067,616	\$ -	\$ -	\$ 1,067,616
Accounts receivable	-	4,532,075	(145,274)	-	4,386,801
Due from related parties	-	-	145,274	-	145,274
Unbilled revenue	-	5,562,805	-	-	5,562,805
Income taxes receivable	-	54,898	-	-	54,898
Materials and supplies	-	99,320	-	-	99,320
Prepaid expenses	-	257,333	-	-	257,333
Other assets	-	25,138	-	-	25,138
Property, plant and equipment	1	35,836,056	(224,130)	-	35,611,926
Intangible assets	1	2,214,322	224,130	-	2,438,452
Long-term asset	-	355,879	-	-	355,879
Deferred tax assets	-	1,140,000	(1,140,000)	-	-
Total assets	-	51,145,442	(1,140,000)	-	50,005,443
Regulatory balances	5	4,697,864	7,096,305	(9,000)	11,785,169
Total assets and regulatory balances		\$ 55,843,306	\$ 5,956,305	\$ (9,000)	\$ 61,790,612
Accounts payable and accrued liabilities	-	\$ 7,392,352	\$ (60,447)	\$ -	\$ 7,331,905
Due to related parties	-	-	60,447	-	60,447
Long-term debt due within a year	-	807,186	-	-	807,186
Customer deposits	-	829,011	-	-	829,011
Long-term debt	-	15,986,002	-	-	15,986,002
Post-employment benefits	6	345,188	-	32,858	378,046
Deferred revenue	-	700,559	-	-	700,559
Deferred tax liabilities	5	936,000	(302,000)	(9,000)	625,000
Unrealized loss on interest rate swap	-	1,003,791	-	-	1,003,791
Total liabilities		28,000,088	(302,000)	23,858	27,721,947
Share capital	-	18,269,168	-	-	18,269,168
Retained earnings	6	9,562,146	-	(32,858)	9,529,288
Accumulated OCI	-	11,904	-	-	11,904
Total liabilities and equity		55,843,306	(302,000)	(9,000)	55,532,307
Regulatory balances	-	-	6,258,305	-	6,258,305
Total liabilities, equity and regulatory balances		\$ 55,843,306	\$ 5,956,305	\$ (9,000)	\$ 61,790,612

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 22. Explanation of transition to IFRS (continued)

### Reconciliation of statement of financial position and statement of changes in equity

December 31, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
Cash and cash equivalents	-	\$ 4,005,265	\$ -	\$ -	\$ 4,005,265
Accounts receivable	-	4,829,534	(80,821)	-	4,748,713
Due from related parties	-	-	80,821	-	80,821
Unbilled revenue	-	6,100,310	-	-	6,100,310
Material and supplies	-	79,110	-	-	79,110
Prepaid expenses	-	262,225	-	-	262,225
Investments in equities	-	28,087	-	-	28,087
Property, plant and equipment	3, 4	38,661,377	124,308	(191,699)	38,593,986
Intangible assets	-	2,214,322	224,750	-	2,439,072
Long-term assets	-	282,017	-	-	282,017
Deferred tax assets	-	1,836,000	(1,836,000)	-	-
Total assets		58,298,247	(1,486,942)	(191,699)	56,619,606
Regulatory balances	5	3,943,863	9,869,622	(67,000)	13,746,485
Total assets and regulatory balances		\$ 62,242,110	\$ 8,382,680	\$ (258,699)	\$ 70,366,091
Accounts payable and accrued liabilities	-	\$ 8,118,338	\$ (41,977)	\$ -	\$ 8,076,361
Due to related parties	-	-	41,977	-	41,977
Income taxes payable	-	342,948	-	-	342,948
Long-term debt due within one year	-	1,005,197	-	-	1,005,197
Customer deposits	-	991,993	-	-	991,993
Long-term debt	-	17,906,990	-	-	17,906,990
Post-employment benefits	6	346,824	-	59,727	406,551
Deferred revenue	3	1,298,367	349,058	-	1,647,425
Deferred tax liabilities	5	1,527,000	(488,000)	(67,000)	972,000
Unrealized loss on interest rate swap	-	1,462,017	-	-	1,462,017
Total liabilities		32,999,674	(138,942)	(7,273)	32,853,459
Share capital	-	18,269,168	-	-	18,269,168
Retained earnings	4,6	10,958,415	10,953	(224,557)	10,744,811
Accumulated OCI (loss)	6	14,853	(10,953)	(26,869)	(22,969)
Total liabilities and equity	-	62,242,110	(138,942)	(258,699)	61,844,469
Regulatory balances	-	-	8,521,622	-	8,521,622
Total liabilities, equity and regulatory balances		\$ 62,242,110	\$ 8,382,680	\$ (258,699)	\$ 70,366,091

# Westario Power Inc.

Notes to Financial Statements (continued)  
Years ended December 31, 2015 and 2014

## 22. Explanation of transition to IFRS (continued)

### Reconciliation of net income for 2014

	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
Revenue					
Sale of energy	-	\$ 47,497,179	\$ 4,349,062	\$ -	\$ 51,846,241
Distribution revenue	-	9,580,394	230,247	-	9,810,641
Other	3	700,861	(83,184)	-	617,677
Operating expenses					
Cost of power purchased	-	47,497,179	3,825,307	-	51,322,486
Employee salaries and benefits	-	-	2,874,723	22	2,874,745
Operating expenses	4	5,216,936	(2,901,941)	191,699	2,506,694
Depreciation and amortization	3	1,424,889	8,360	-	1,433,249
Finance income	-	-	91,544	-	91,544
Finance costs	-	1,084,495	16,265	(22)	1,100,738
Loss on interest rate swap	-	458,226	-	-	458,226
Income tax expense	-	(5,000)	462,000	-	457,000
Net income for the year		2,101,709	302,955	(191,699)	2,212,965
Net movement in regulatory balances, net of tax	-	-	(292,002)	-	(292,002)
Net income and net movement in regulatory balances		2,101,709	10,953	(191,699)	1,920,963
Other comprehensive income					
Items that will be reclassified to profit or loss					
Change in fair value of investment in equities		2,949	-	-	2,949
Items that will not be reclassified to profit or loss:					
Re-measurement of post-employment benefits	6	-	(10,953)	(26,869)	(37,822)
Tax on re-measurements	5	-	3,000	7,000	10,000
Net movement in regulatory balances, net of tax	-	-	(3,000)	(7,000)	(10,000)
Total comprehensive income for the year		\$ 2,104,658	\$ -	\$ (218,568)	\$ 1,886,090

## 22. Explanation of transition to IFRS (continued)

### Notes to the reconciliations

The impact on deferred tax of the adjustments described below is set out in note (5).

- (1) The Corporation has elected under IFRS 1 to use the carrying value of items of PP&E and intangible assets as the deemed cost at the date of transition. Therefore, there has been no change to the net PP&E and intangible assets at January 1, 2014. The effect of this transitional adjustment is a decrease to the original cost and accumulated depreciation of the affected PP&E and intangible assets by \$21,400,325 and \$1,011,866 respectively, the CGAAP accumulated depreciation amount, on January 1, 2014.
- (2) IFRS requires that borrowing costs related to the construction of the qualifying assets be capitalized. The Corporation has applied IAS 23 to all qualifying assets that were in progress or commenced since January 1, 2014. No qualifying assets were identified and therefore no borrowing costs were capitalized for the year ended December 31, 2014.
- (3) Under CGAAP, customer contributions were netted against the cost of PP&E and amortized to profit or loss as an offset to depreciation expense, on the same basis as the related assets. Under IFRS, customer contributions are recognized as deferred revenue, not netted against PP&E, and amortized into profit or loss over the life of the related asset.

The effect of the above is to increase deferred revenue by nil at January 1, 2014 and by \$357,418 at December 31, 2014; to increase PP&E by \$357,418 at December 31, 2014 and to increase other revenue and depreciation expense by \$8,360 for the year ended December 31, 2014.

- (4) Under CGAAP for rate regulated entities, the Corporation removed assets from the accounts at the end of their estimated useful lives. IFRS requires assets to be removed from the accounts when they have been removed from service.

The effect is to decrease PP&E by \$191,699 at December 31, 2014 and to increase loss on retirement of PP&E by \$191,699 for the year ended December 31, 2014.

- (5) The above changes decrease the deferred tax liabilities as follows based on a tax rate of 26.5%:

	Note	December 31, 2014	January 1, 2014
Property, plant and equipment	4	\$ 51,000	\$ -
Post-employment benefits	6	7,000	9,000
Decrease in deferred tax liability		\$ 58,000	\$ 9,000

The effect on the statement of comprehensive income for the year ended December 31, 2014 was to decrease the previously reported income taxes by nil.

## 22. Explanation of transition to IFRS (continued)

- (6) The Corporation adopted the revised Employee Benefits standard effective January 1, 2014. This revised standard requires recognition of actuarial gains and losses through other comprehensive income. This increased post-employment benefits and decreased retained earnings by \$32,858 at January 1, 2014 and, increased post-employment benefits by \$59,727 at December 31, 2014 with a corresponding decrease to retained earnings of \$21,905 and accumulated other comprehensive income of \$37,822.

Explanation of material adjustments to the statement of cash flows for 2014.

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under CGAAP.



1                    **Appendix E – Reconciliation from Trial Balance and FS (RRR 2.1.13)**

2

**Westario Power Inc.**  
**Trial Balance to 2016 Audited FS - Grouping**

Audited F/S  
Amounts

Account	B/S Section	Line Grouping	GL Account Description #N/A	
1100	Current Assets	Accounts Receivable	110000 Collective Energy A/c Rec	3,933,263.42
1100	Current Assets	Accounts Receivable	110001 A/R Offset Deposit Clearing Account	(298,603.81)
1100	Current Assets	Accounts Receivable	110020 Customer Accounts Receivable Residential Energy	
1102	Current Assets	Accounts Receivable	110070 Accounts Receivable Retailers	
1102	Current Assets	Accounts Receivable	110200 Accounts Receivable Services	181,595.67
1104	Current Assets	Accounts Receivable	110400 Accounts Receivable Recoverable Work	429,568.99
1105	Current Assets	Accounts Receivable	110500 Accounts Receivable - Miscellaneous	32,834.69
1105	Current Assets	Accounts Receivable	111014 Retailer Clearing Account (Distributor Consol)	
1105	Current Assets	Accounts Receivable	111018 Ontario Clean Energy Benefit rebate receivable	50.87
1130	Current Assets	Accounts Receivable	113000 Accumulated Provision for Uncollectible AccountsCr	(207,500.00)
1190	Current Assets	Accounts Receivable	119000 Miscellaneous Current and Accrued Assets	1,158,034.77
			Amounts Above Due From Related Parties	<u>(380,071.00)</u>
			<b>ACCOUNTS RECEIVABLE</b>	<b><u>4,849,173.60</u></b>
			Amounts in A/R Due From Related Parties	<u>380,071.00</u>
			<b>DUE FROM RELATED PARTIES</b>	<b><u>380,071.00</u></b>
2294	Current Assets	Income Taxes Recoverable	229400 Accrual for Taxes - Corporate Taxes Payable	<u>258,926.00</u>
			<b>INCOME TAXES RECOVERABLE</b>	<b><u>258,926.00</u></b>
1120	Current Assets	Accrued Unbilled Revenue	112000 Accrued Utility Revenues	<u>6,458,953.25</u>
			<b>ACCRUED UNBILLED REVENUE</b>	<b><u>6,458,953.25</u></b>
1330	Current Assets	Inventory	133000 Plant Materials and Operating Supplies	711,372.04
1330	Current Assets	Inventory	133099 Inventory Adjustment Account - Major Spare Parts	<u>(668,689.72)</u>
			<b>INVENTORY</b>	<b><u>42,682.32</u></b>
1180	Current Assets	Prepaid Expenses	118000 Prepayments	<u>256,362.07</u>
			<b>PREPAID EXPENSES</b>	<b><u>256,362.07</u></b>
1070	Non-current Asset	Investment in Equities	107000 Current Investments	<u>34,538.50</u>
			<b>INVESTMENT IN EQUITIES</b>	<b><u>34,538.50</u></b>
1606	Capital Asset	Property, Plant & Equipment	160600 Organizational Costs	
1805	Capital Asset	Property, Plant & Equipment	180500 Land	227,768.86
1808	Capital Asset	Property, Plant & Equipment	180800 Buildings and Fixtures	2,278,930.89
1820	Capital Asset	Property, Plant & Equipment	182000 Distribution Station Equipment Normally Primary b	7,281,128.70
1830	Capital Asset	Property, Plant & Equipment	183000 Poles, Towers and Fixtures	7,596,334.94
1835	Capital Asset	Property, Plant & Equipment	183500 Overhead Conductors and Devices	10,305,426.67
1840	Capital Asset	Property, Plant & Equipment	184000 Underground Conduit	2,337,869.54
1845	Capital Asset	Property, Plant & Equipment	184500 Underground Conductors and Devices	7,825,851.19
1850	Capital Asset	Property, Plant & Equipment	185000 Line Transformers Overhead	6,476,355.69
1855	Capital Asset	Property, Plant & Equipment	185500 Services Overhead	4,163,106.52
1860	Capital Asset	Property, Plant & Equipment	186000 Meters	4,767,882.16
1865	Capital Asset	Property, Plant & Equipment	186500 Other Installations on Customer#s Premises	1,634.63
1330	Capital Asset	Property, Plant & Equipment	189999 Major Spare Parts Inventory	668,689.72
1915	Capital Asset	Property, Plant & Equipment	191500 Office Furniture and Equipment	121,285.57
1920	Capital Asset	Property, Plant & Equipment	192000 Computer Equipment Hardware	285,554.27
1930	Capital Asset	Property, Plant & Equipment	193000 Transportation Equipment	1,479,285.60
1935	Capital Asset	Property, Plant & Equipment	193500 Stores Equipment	46,651.45
1940	Capital Asset	Property, Plant & Equipment	194000 Tools, Shop and Garage Equipment	290,509.79
1945	Capital Asset	Property, Plant & Equipment	194500 Measurement and Testing Equipment	32,766.84
1950	Capital Asset	Property, Plant & Equipment	195000 Power Operated Equipment	38,293.78
1955	Capital Asset	Property, Plant & Equipment	195500 Communication Equipment	73,315.58
1960	Capital Asset	Property, Plant & Equipment	196000 Miscellaneous Equipment	184,537.61

1975 Capital Asset	Property, Plant & Equipment	197500 Load Management Controls Utility Premises	-
1985 Capital Asset	Property, Plant & Equipment	198500 Sentinel Lighting Rental Units	-
1995 Capital Asset	Property, Plant & Equipment	199500 Contributions and Grants Credit Poles Tower Fixt	(8,641,128.39)
1995 Capital Asset	Property, Plant & Equipment	199570 Contributions and Grants 2014 and subs	1,312,650.70
2055 Capital Asset	Property, Plant & Equipment	205500 Construction Work in ProgressElectric	532,653.44
2105 Capital Asset	Property, Plant & Equipment	210500 Accum Amort Electric Plant - Distr Stn Equip	(890,708.00)
2105 Capital Asset	Property, Plant & Equipment	210501 Accumulated Amortization - Bldgs & Equipment	(160,471.35)
2105 Capital Asset	Property, Plant & Equipment	210502 Accumulated Amortization - Poles	(423,733.37)
2105 Capital Asset	Property, Plant & Equipment	210503 Accumulated Amortization - O/H Conductors	(491,914.82)
2105 Capital Asset	Property, Plant & Equipment	210504 Accumulated Amortization - U/G Conductors	(650,062.28)
2105 Capital Asset	Property, Plant & Equipment	210505 Accumulated Amortization - U/G Conduit	(90,569.54)
2105 Capital Asset	Property, Plant & Equipment	210506 Accumulated Amortization - O/H Transformers	(669,166.87)
2105 Capital Asset	Property, Plant & Equipment	210508 Accumulated Amortization - O/H Services	(285,225.84)
2105 Capital Asset	Property, Plant & Equipment	210510 Accumulated Amortization - Meters	(1,035,554.81)
2105 Capital Asset	Property, Plant & Equipment	210511 Accumulated Amortization - Load Mgmt Controls	
1606 Capital Asset	Property, Plant & Equipment	210512 Accumulated Amortization - Organizational Costs	
2105 Capital Asset	Property, Plant & Equipment	210520 Accumulated Amortization - Contr Capital O/H Lines	556,793.56
2105 Capital Asset	Property, Plant & Equipment	210525 Accum'd Amort - Contrib Cap 2014 and su	(42,610.86)
2105 Capital Asset	Property, Plant & Equipment	218000 Accum. Amortization - Office Equipment	(47,409.47)
2105 Capital Asset	Property, Plant & Equipment	218001 Accum. Amortization - Computer Hardware	(126,845.11)
2105 Capital Asset	Property, Plant & Equipment	218003 Accum. Amortization - Rolling Stock	(367,874.12)
2105 Capital Asset	Property, Plant & Equipment	218005 Accum. Amortization - Stores Equipment	(29,410.74)
2105 Capital Asset	Property, Plant & Equipment	218006 Accum. Amortization - Tools & Garage	(98,268.27)
2105 Capital Asset	Property, Plant & Equipment	218007 Accum. Amortization - Measurement Equipment	(21,526.96)
2105 Capital Asset	Property, Plant & Equipment	218008 Accumu. Amortization - Power Operated Equip	(26,112.18)
2105 Capital Asset	Property, Plant & Equipment	218009 Accum. Amortization - Communication Equip	(29,117.91)
2105 Capital Asset	Property, Plant & Equipment	218010 Accum. Amortization - Misc Equipment	(31,836.60)
2105 Capital Asset	Property, Plant & Equipment	218011 Accum. Amortization - Sentinel Lights	
		<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b><u>44,725,730.21</u></b>

2060 Capital Asset	Goodwill	161000 Miscellaneous Intangible Plant	2,214,322.00
1925 Capital Asset	Property, Plant & Equipment	192500 Computer Software	681,812.94
2105 Capital Asset	Property, Plant & Equipment	218002 Accum. Amortization - Computer Software	(240,779.16)
		<b>INTANGIBLE ASSETS</b>	<b><u>2,655,355.78</u></b>

1508 Long term asset	Regulatory Assets	150830 Other Reg Assets - Deferred IFRS Transition Costs	104,151.24
1508 Long term asset	Regulatory Assets	150832 Other Reg Asset-Deferred IFRS Transition Costs-Int	4,065.78
1508 Long term asset	Regulatory Assets	150840 Other Reg Assets - Incremental Capital Charges	
1508 Long term asset	Regulatory Assets	150842 Other Reg Assets-Incremental Capital Charges - Int	
1518 Long term asset	Regulatory Assets	151800 RCVARetail	(36,393.26)
1518 Long term asset	Regulatory Assets	151810 RCVA Retail - Interest	(1,255.77)
1532 Long term asset	Regulatory Assets	153200 Renewable Connection OM&A Deferral Account	1,974.00
1532 Long term asset	Regulatory Assets	153210 Renewable Connection OM&A Deferral Account-Interes	107.81
1548 Long term asset	Regulatory Assets	154800 RCVASTR (Request Fee)	54,083.32
1548 Long term asset	Regulatory Assets	154810 RCVA - STR - Interest	2,344.17
1551 Long term asset	Regulatory Assets	155101 Smart Meter Entity Charge Variance - Residential	(7,582.12)
1551 Long term asset	Regulatory Assets	155102 Smart Meter Entity Charge Variance - GS<50	(614.43)
1551 Long term asset	Regulatory Assets	155103 Smart Meter Entity Charge Variance - Carry Chg	(7.09)
1555 Long term asset	Regulatory Assets	155500 Smart Meter Capital and Recovery Offset Variance	
1555 Long term asset	Regulatory Assets	155510 Smart Meter Carrying Charges	
1555 Long term asset	Regulatory Assets	155523 Stranded Assets - Recovery	(626,876.21)
1555 Long term asset	Regulatory Assets	155524 Stranded Assets - Carry Chg	7,995.57
1555 Long term asset	Regulatory Assets	155525 Stranded Assets - Residential Meters	850,316.55
1555 Long term asset	Regulatory Assets	155526 SM Stranded Assets - Res Meter - Acc Amort	(426,162.55)
1555 Long term asset	Regulatory Assets	155527 SM Stranded Asset-Meter-GS<50	478,101.38
1555 Long term asset	Regulatory Assets	155528 SM Stranded Asset-Meter-GS<50 - Accum Amort	(293,846.38)
1555 Long term asset	Regulatory Assets	155530 Smart Meter Operating Expense Offset - Revenues	
1555 Long term asset	Regulatory Assets	155540 Smart Meter Capital Variance Account - Collectors	
1555 Long term asset	Regulatory Assets	155541 Smart Meter Capital Var Acct -Collectors-Acc Amort	

1555 Long term asset	Regulatory Assets	155542 Smart Meter Capital Variance Acct-Computer Hardwar		
1555 Long term asset	Regulatory Assets	155543 Smart Meter Cap Var Acct-Computer Hardware-AccAmor		
1555 Long term asset	Regulatory Assets	155544 Smart Meter Cap Variance Acct-Duplicate Meter Base		
1555 Long term asset	Regulatory Assets	155545 SM Cap Variance Acct-Duplicate Meter Base-AccAmort		
1555 Long term asset	Regulatory Assets	155546 Smart Meter Cap Variance Acct-Meter Base Repairs		
1555 Long term asset	Regulatory Assets	155547 SM Cap Variance Acct-Meter Base Repairs-AccumAmort		
1555 Long term asset	Regulatory Assets	155548 Smart Meter Cap Variance Acct-Smart Meter		
1555 Long term asset	Regulatory Assets	155549 Smart Meter Cap Variance Acct-Smart Meter-AccAmort		
1555 Long term asset	Regulatory Assets	155550 Smart Meter Capital Variance Account - Consulting		
1555 Long term asset	Regulatory Assets	155551 Smart Meter Capital Variance Acct-Consulting-AccAm		
1555 Long term asset	Regulatory Assets	155552 Smart Meter Capital Variance Account - Software		
1555 Long term asset	Regulatory Assets	155553 Smart Meter Capital Variance Acct-Software-AccAmor		
1556 Long term asset	Regulatory Assets	155600 Smart Meter OM&A Variance Account - Operating		
1556 Long term asset	Regulatory Assets	155610 Smart Meter OM&A Variance Account - Maintenance		
1556 Long term asset	Regulatory Assets	155620 Smart Meter OM&A Variance Account - Administration		
1556 Long term asset	Regulatory Assets	155630 Smart Meter OM&A Variance Account - Amortization		
1556 Long term asset	Regulatory Assets	155640 Smart Meter OM&A Carrying Charges		
1565 Long term asset	Regulatory Assets	156500 Conservation and Demand Exp. and Recov.		(17,231.03)
1566 Long term asset	Regulatory Assets	156600 Conservation and Demand Management Contra	17,231.03	
1568 Long term asset	Regulatory Assets	156801 LRAM Variance Account - RES	12,980.00	
1568 Long term asset	Regulatory Assets	156802 LRAM Variance Account - GS<50	31,934.00	
1568 Long term asset	Regulatory Assets	156803 LRAM Variance Account - GS>50	1,101.00	
1568 Long term asset	Regulatory Assets	156804 LRAM Variance Account - Carry Charge		
1568 Long term asset	Regulatory Assets	156805 LRAM Variance Account - RES - Net Principal		(19,094.32)
1568 Long term asset	Regulatory Assets	156806 LRAM Variance Account - GS<50 - Net Principal		(33,923.05)
1568 Long term asset	Regulatory Assets	156807 LRAM Variance Account - GS>50 - Net Principal		(1,091.24)
1568 Long term asset	Regulatory Assets	156808 LRAM Variance Account - RES - Carrying Charge	338.60	
1568 Long term asset	Regulatory Assets	156809 LRAM Variance Account - GS<50 - Carrying Charge	1,125.25	
1568 Long term asset	Regulatory Assets	156810 LRAM Variance Account - GS>50 - Carrying Charge	40.10	
1575 Long term asset	Regulatory Assets	157501 IFRS/CGAAP Transitional PP&E Amounts		
1580 Long term asset	Regulatory Assets	158000 RSVAWMS		(1,653,522.46)
1580 Long term asset	Regulatory Assets	158001 RSVA (WHS) Carrying charges		(21,162.30)
1580 Long term asset	Regulatory Assets	RSVAWMS - CBDR Class B	275,079.65	
1580 Long term asset	Regulatory Assets	RSVA (WHS) Carrying charges - CBDR Clas	2,359.48	
1580 Long term asset	Regulatory Assets	RSVAWMS - OESP	49,181.51	
1580 Long term asset	Regulatory Assets	RSVAWMS - OESP - Carrying Charge	420.07	
1582 Long term asset	Regulatory Assets	158200 RSVAONETIME		(120.00)
1582 Long term asset	Regulatory Assets	158201 RSVA ONETIME INTEREST		
1584 Long term asset	Regulatory Assets	158400 RSVANW	345,276.77	
1584 Long term asset	Regulatory Assets	158401 RSVA (NW) Carrying Charges	825.85	
1550 Long term asset	Regulatory Assets	158500 RSVALV	1,363,341.76	
1550 Long term asset	Regulatory Assets	158501 RSVA (LV) Carrying Charges	15,799.61	
1586 Long term asset	Regulatory Assets	158600 RSVACN	374,998.76	
1586 Long term asset	Regulatory Assets	158601 RSVA(CN) Carrying Charges	15,595.06	
1588 Long term asset	Regulatory Assets	158800 RSVAPOWER	2,663,546.92	
1588 Long term asset	Regulatory Assets	158801 RSVA (POWER) Carrying charges	28,060.78	
1588 Long term asset	Regulatory Assets	158810 RSVA Power - Global Adjustment		(1,878,315.20)
1588 Long term asset	Regulatory Assets	158811 RSVA Global Adjustment (POWER) Carrying charges		-24,959.93
1592 Long term asset	Regulatory Assets	159201 HST OVAT/ITC	97,338.02	
1592 Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA		(122,917.00)
1592 Long term asset	Regulatory Assets	159201 HST OVAT/ITC - Carrying Charge	9,073.88	
1592 Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA - Carrying Charge		(8,735.40)
1595 Long term asset	Regulatory Assets	159500 Dispo & Recov of Reg Bal Control Acct - Approved09		
1595 Long term asset	Regulatory Assets	159502 Carrying Charges Trsf'd to Acct 1595 - Approved 09		
1595 Long term asset	Regulatory Assets	159504 2010 Tax Sharing Refund from IRM3		
1595 Long term asset	Regulatory Assets	159505 2010 Tax Sharing Refund from IRM3 Carrying Charge		
1595 Long term asset	Regulatory Assets	159520 Recovery of Regulatory Assets - Res - Approved2009		
1595 Long term asset	Regulatory Assets	159523 2016 DVA GA Disposition - Net Principal	337,312.00	
1595 Long term asset	Regulatory Assets	159524 2016 DVA GA Dis-CaCh	278,759.00	

1595 Long term asset	Regulatory Assets	159530 Recovery of Regulatory Assets - GS<50 kW-Approve09		
1596 Long term asset	Regulatory Assets	159531 2013 DVA Disposition - Principal	2,037,483.37	
1597 Long term asset	Regulatory Assets	159532 2013 DVA Disposition - Carry Charges	233,498.54	
1598 Long term asset	Regulatory Assets	159533 2013 DVA Disposition - Net Principal		(2,443,897.92)
1599 Long term asset	Regulatory Assets	159534 2013 DVA Disposition - Carry Charges		(238,667.06)
1600 Long term asset	Regulatory Assets	159536 2013 DVA GA Disposition - Principal	600,993.00	
1601 Long term asset	Regulatory Assets	159537 2013 DVA GA Disposition - Carry Charges		(481.00)
1602 Long term asset	Regulatory Assets	159538 2013 DVA GA Disposition - Net Principal		(701,537.14)
1603 Long term asset	Regulatory Assets	159539 2013 DVA GA Disposition - Carry Charges		(5,047.30)
1595 Long term asset	Regulatory Assets	159540 Recovery of Regulatory Assets-GS>50kW-Approved2009		
1595 Long term asset	Regulatory Assets	159549 2015 DVA Disposition - Principal	2,745,709.75	
1595 Long term asset	Regulatory Assets	159550 2015 DVA Disposition - Carrying Charge	68,691.00	
1595 Long term asset	Regulatory Assets	159551 2015 DVA Disposition - Net Principal		(2,531,101.70)
1595 Long term asset	Regulatory Assets	159552 2015 DVA Disposition - Carrying Charge	17,054.64	
1595 Long term asset	Regulatory Assets	159553 2015 DVA GA Disposition - Principal		(201,936.00)
1595 Long term asset	Regulatory Assets	159554 2015 DVA GA Disposition - Carrying Char		(21,666.00)
1595 Long term asset	Regulatory Assets	159555 2015 DVA GA Disposition - Net Principal	210,588.38	
1595 Long term asset	Regulatory Assets	159556 2015 DVA GA Disposition - Carrying Char		(908.14)
1595 Long term asset	Regulatory Assets	159557 2016 DVA Disposition - Principal (Contr		(1,154,901.05)
1595 Long term asset	Regulatory Assets	159558 2016 DVA Disposition - Carrying Charge		(3,611.20)
1595 Long term asset	Regulatory Assets	159559 2016 DVA GA Disposition - Principal (Co	253,394.49	
1595 Long term asset	Regulatory Assets	159560 Recovery of Regulatory Assets-Scattered Load-App09		
1595 Long term asset	Regulatory Assets	159561 2012 IRM Dispo & Recov of Reg Bal -Control Account		
1595 Long term asset	Regulatory Assets	159562 2012 IRM Dispo & Recov of Reg Bal -Car Chg Control		
1595 Long term asset	Regulatory Assets	159563 2012 IRM Dispo & Recov of Reg Bal - Residential		
1595 Long term asset	Regulatory Assets	159564 2012 IRM Dispo & Recov of Reg Bal - GS<50		
1595 Long term asset	Regulatory Assets	159565 2012 IRM Dispo & Recov of Reg Bal - GS>50		
1595 Long term asset	Regulatory Assets	159566 2012 IRM Dispo & Recov of Reg Bal - USL		
1595 Long term asset	Regulatory Assets	159567 2012 IRM Dispo & Recov of Reg Bal - Sentinel		
1595 Long term asset	Regulatory Assets	159568 2012 IRM Dispo & Recov of Reg Bal -Street Lighting		
1595 Long term asset	Regulatory Assets	159569 2012 IRM Dispo & Recov of Reg Bal -Car Chg		
1595 Long term asset	Regulatory Assets	159570 Recovery of Regulatory Assets-SentinelLight-App 09		
1595 Long term asset	Regulatory Assets	159571 2012 IRM Dispo & Recov of GA-Control(non-RPP only)		
1595 Long term asset	Regulatory Assets	159572 2012IRM Dispo & Recov GA-CarChg Control (non-RPP		
1595 Long term asset	Regulatory Assets	159573 2012 IRM Dispo & Recov of GA-Residen(non-RPP only)		
1595 Long term asset	Regulatory Assets	159574 2012 IRM Dispo & Recov of GA- GS<50 (non-RPP only)		
1595 Long term asset	Regulatory Assets	159575 2012 IRM Dispo & Recov of GA- GS>50 (non-RPP only)		
1595 Long term asset	Regulatory Assets	159576 2012 IRM Dispo & Recov of GA- USL (non-RPP only)		
1595 Long term asset	Regulatory Assets	159577 2012 IRM Dispo & Recov of GA-StrLght(non-RPP only)		
1595 Long term asset	Regulatory Assets	159578 2012IRM Dispo & Recov GA-CarChg (non-RPP only)		
1595 Long term asset	Regulatory Assets	159580 Recovery of Regulatory Assets-Street Light-App 09		
1595 Long term asset	Regulatory Assets	159581 Dispo & Recov of Reg Bal Control Acct - 2011 IRM		
1595 Long term asset	Regulatory Assets	159582 Carrying Charge Control Acct - 2011 IRM		
1595 Long term asset	Regulatory Assets	159583 Recovery of Var Accounts - 2011 IRM - Residential		
1595 Long term asset	Regulatory Assets	159584 Recovery of Var Accounts - 2011 IRM - GS<50kW		
1595 Long term asset	Regulatory Assets	159585 Recovery of Var Accounts - 2011 IRM - GS>50kW		
1595 Long term asset	Regulatory Assets	159586 Recovery of Var Accounts - 2011 IRM - USL		
1595 Long term asset	Regulatory Assets	159587 Recovery of Var Accounts - 2011 IRM - Sentinel		
1595 Long term asset	Regulatory Assets	159588 Recovery of Var Accounts - 2011 IRM - Street Light		
1595 Long term asset	Regulatory Assets	159589 GA Adj Var Disposal Bal Control Acct - 2011 IRM		
1595 Long term asset	Regulatory Assets	159590 Carrying Charge Global Adj Control Acct -2011 IRM		
1595 Long term asset	Regulatory Assets	159591 Recovery of Global Adj Var - 2011 IRM -Residential		
1595 Long term asset	Regulatory Assets	159592 Recovery of Global Adj Var - 2011 IRM - GS<50kW		
1595 Long term asset	Regulatory Assets	159593 Recovery of Global Adj Var - 2011 IRM - GS>50kW		
1595 Long term asset	Regulatory Assets	159594 Recovery of Global Adj Var - 2011 IRM - USL		
1595 Long term asset	Regulatory Assets	159596 Recovery of Global Adj Var-2011 IRM-Street Lightin		
1595 Long term asset	Regulatory Assets	159597 2016 DVA Dis-NetPrin	1,330,240.00	
1595 Long term asset	Regulatory Assets	159598 2016 DVA Dis-CarChar	-27,352.00	
1595 Long term asset	Regulatory Assets	159599 2016 DVA GA Disposition - Carrying Char	734.63	

2405 Long term asset	Future Tax Regulatory Asset	240505 Future Tax Regulatory Asset	1,963,000.00
		<b>REGULATORY ASSETS</b>	<b><u>16,858,894.72</u></b>
1460 Long term asset	Long term asset	146000 Other Non-current Assets	321,525.39
1460 Long term asset	Long term asset	146010 Other Non-current Assets - Accumulated Amortizatio	
		<b>LONG-TERM ASSETS</b>	<b><u>321,525.39</u></b>
		<b>TOTAL ASSETS</b>	<b><u>76,842,212.84</u></b>

#### LIABILITIES

1005	Current Assets	Cash	100500 Cash	(231,138.33)
1005	Current Assets	Cash	100510 Cash Advances Petty Cash	500.00
1005	Current Assets	Cash	100550 Deposit Clearing Account	(298,603.81)
1005	Current Assets	Cash	100551 Cheque Clearing Account	(260,630.30)
1005	Current Assets	Cash	100553 Offset Deposit Clearing Account	298,603.81
1040	Current Assets	Cash	104000 Other Special Deposits Retailers	
			<b>CASH</b>	<b><u>(491,268.63)</u></b>
1102	Current Assets	Accounts Receivable	110070 Accounts Receivable Retailers	(82,733.98)
1102	Current Liabilities	Accounts Payble	111014 Retailer Clearing Account (Distributor Consol)	
1102	Current Liabilities	Accounts Payble	111018 Ontario Clean Energy Benefit rebate receivable	
2205	Current Liabilities	Accounts Payble	220500 Accounts Payable	(7,759,306.21)
2220	Current Liabilities	Accounts Payble	222000 Miscellaneous Current and Accrued Liabilities	(1,053,432.45)
2220	Current Liabilities	Accounts Payble	222010 OPA Deferred Revenue	(305,446.55)
2220	Current Liabilities	Accounts Payble	222073 CDM - Deferred Revenue - Residential	68,469.18
2220	Current Liabilities	Accounts Payble	222074 CDM - Deferred Revenue - Commercial	89.49
2220	Current Liabilities	Accounts Payble	222075 CDM - Deferred Revenue - Industrial	
2220	Current Liabilities	Accounts Payble	222078 CDM - Deferred Revenue - 2015 to 2020	
2220	Current Liabilities	Accounts Payble	222079 CDM - Deferred Revenue - Low Income	58.94
2220	Current Liabilities	Accounts Payble	222100 CDM - Deferred Revenue - Retrofit	241,276.21
2220	Current Liabilities	Accounts Payble	222101 CDM - Deferred Revenue - Small_Bus_Ligh	2,836.05
2220	Current Liabilities	Accounts Payble	222102 CDM - Deferred Revenue - Home_Assistanc	18,445.51
2220	Current Liabilities	Accounts Payble	222103 CDM - Deferred Revenue - Audit_Funding_	1,311.10
2220	Current Liabilities	Accounts Payble	222104 CDM - Deferred Revenue - High_Perf_New_	6,091.09
2220	Current Liabilities	Accounts Payble	222105 CDM - Deferred Revenue - New_Constructi	1,311.09
2220	Current Liabilities	Accounts Payble	222106 CDM - Deferred Revenue - Bi-Annual_Reta	3,353.05
2220	Current Liabilities	Accounts Payble	222107 CDM - Deferred Revenue - Coupon Program	9,164.71
2220	Current Liabilities	Accounts Payble	222108 CDM - Deferred Revenue - Heating_And_Co	2,268.44
2250	Current Liabilities	Accounts Payble	225000 Debt Retirement Charges( DRC) Payable	194.70
2290	Current Liabilities	Accounts Payble	229020 Commodity Taxes gst	(373.05)
2290	Current Liabilities	Accounts Payble	229021 Commodity Taxes gst	(26,738.86)
2290	Current Liabilities	Accounts Payble	229024 Commodity Taxes - HST RITC 7%	171.03
2290	Current Liabilities	Accounts Payble	229025 Commodity Taxes - HST RITC 3.5%	3.22
2290	Current Liabilities	Accounts Payble	229026 Commodity Taxes - HST RITC 4.5%	72.54
2290	Current Liabilities	Accounts Payble	229027 Commodity Taxes - HST RITC 9%	1,733.35
2292	Current Liabilities	Accounts Payble	229210 Payroll Deductions / Expenses Payable CPP	
2292	Current Liabilities	Accounts Payble	229230 Payroll Deductions / Expenses Payable Omers	(8,284.01)
2292	Current Liabilities	Accounts Payble	229240 Payroll Deductions / Expenses Payable Union Dues	(1,009.24)
2405	Current Liabilities	Accounts Payble	240500 Other Regulatory Liabilities	(13,541.04)
2440	Current Liabilities	Accounts Payble	244010 Revenue Guarantee Deposits Retained	(115,105.32)
2440	Current Liabilities	Accounts Payble	244011 Revenue Guarantee Deposits Retained Amo	32,522.16
			Amounts Above Due to Related Parties	29,867.03
			<b>ACCOUNTS PAYABLE</b>	<b><u>(8,946,731.82)</u></b>

Amounts in A/P Due to Related Parties

**(29,867.03)**

			<b>DUE TO RELATED PARTIES</b>	<b>(29,867.03)</b>	
2260 Long term liabilities	Long term debt and unrealized loss on swap	226000 Current Portion of Long Term Debt	(1,117,733.05)		
			<b>CURRENT PORTION OF LONG TERM DEBT</b>	<b>(1,117,733.05)</b>	
2208 Current Liabilities	Current Deposits and Credit Balances	220800 Customer Credit Balances	(471,502.72)		
2210 Current Liabilities	Current Deposits and Credit Balances	221000 Current Portion of Customer Deposits	(530,966.64)		
2425 Current Liabilities	Current Deposits and Credit Balances	242000 Down Payments	(38,106.40)		
2425 Current Liabilities	Current Deposits and Credit Balances	242080 Down Payments	(4,551.57)		
2425 Current Liabilities	Current Deposits and Credit Balances	242500 Other Deferred Credits			
			<b>CURRENT DEPOSITS AND CREDIT BALANCES</b>	<b>(1,045,127.33)</b>	
2520 Long term liabilities	Long term debt	222500 Notes and Loans Payable Shareholders	(5,260,460.75)		
2520 Long term liabilities	Long term debt	252000 Term Loans Long Term Portion *	(11,754,941.16)		
			Unrealized loss on interest rate swap	1,286,079.00	
			*Includes unrealized loss on interest rate swap		
			<b>LONG-TERM DEBT</b>	<b>(15,729,322.91)</b>	
2306 Long term liabilities	Post Retirement Benefits	230600 Employee Future Benefits	(386,427.00)		
			<b>POST RETIREMENT BENEFITS</b>	<b>(386,427.00)</b>	
2440 Current Liabilities	Accounts Payable	244000 Deferred Revenue	(1,270,039.84)		
2425 Current Liabilities	Current Deposits and Credit Balances	242010 Revenue Guarantee - Down Payments	(1,057,586.36)		
			<b>DEFERRED REVENUE</b>	<b>(2,327,626.20)</b>	
2350 Long term liabilities	Future Income Tax Asset/Liability	156400 Future Income Tax Asset/Liability	(1,713,000.00)		
			<b>FUTURE INCOME TAX ASSET/LIABILITY</b>	<b>(1,713,000.00)</b>	
			Unrealized loss on interest rate swap	(1,286,079.00)	
			<b>UNREALIZED RATE ON INTEREST RATE SWAP</b>	<b>(1,286,079.00)</b>	
			<b>TOTAL LIABILITIES</b>	<b>(33,073,182.97)</b>	
<b>EQUITY AND REGULATORY BALANCES</b>					
3005 Equity	Share Capital	300500 Common Shares Issued	(18,269,167.00)		-18,269,167.00
			<b>SHARE CAPITAL</b>	<b>(18,269,167.00)</b>	
3040 Equity	Other Comprehensive Income	304000 Other Comprehensive Income	21,807.85		-14,853.00
			<b>OTHER COMPREHENSIVE INCOME</b>	<b>21,807.85</b>	
3045 Equity	Retained Earnings	304500 Unappropriated Retained Earnings	(18,294,154.96)		-14,497,475.75
3049 Equity	Dividends Paid	304900 Dividends Payable Common Shares	7,190,775.42		5,640,767.92
			NET INCOME	(1,940,727.85)	
			<b>RETAINED EARNINGS</b>	<b>(13,044,107.39)</b>	
1518 Long term asset	Regulatory Assets	151800 RCVARetail	(36,393.26)		
1518 Long term asset	Regulatory Assets	151810 RCVA Retail - Interest	(1,255.77)		
1551 Long term asset	Regulatory Assets	155101 Smart Meter Entity Charge Variance - Residential	(7,582.12)		
1551 Long term asset	Regulatory Assets	155102 Smart Meter Entity Charge Variance - GS<50	(614.43)		
1551 Long term asset	Regulatory Assets	155103 Smart Meter Entity Charge Variance - Carry Chg	(7.09)		
1555 Long term asset	Regulatory Assets	155523 Stranded Assets - Recovery	(626,876.21)		
1555 Long term asset	Regulatory Assets	155526 SM Stranded Assets - Res Meter - Acc Amort	(426,162.55)		
1555 Long term asset	Regulatory Assets	155528 SM Stranded Asset-Meter-GS<50 - Accum Amort	(293,846.38)		
1565 Long term asset	Regulatory Assets	156500 Conservation and Demand Exp. and Recov.	(17,231.03)		
1568 Long term asset	Regulatory Assets	156805 LRAM Variance Account - RES - Net Principal	(19,094.32)		
1568 Long term asset	Regulatory Assets	156806 LRAM Variance Account - GS<50 - Net Principal	(33,923.05)		

1568 Long term asset	Regulatory Assets	156807 LRAM Variance Account - GS>50 - Net Principal	(1,091.24)
1580 Long term asset	Regulatory Assets	158000 RSVAWMS	(1,653,522.46)
1580 Long term asset	Regulatory Assets	158001 RSVA (WHS) Carrying charges	(21,162.30)
1582 Long term asset	Regulatory Assets	158200 RSVAONETIME	(120.00)
1588 Long term asset	Regulatory Assets	158810 RSVA Power - Global Adjustment	(1,878,315.20)
1588 Long term asset	Regulatory Assets	158811 RSVA Global Adjustment (POWER) Carrying charges	-24,959.93
1592 Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA	(122,917.00)
1592 Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA - Carrying Charge	(8,735.40)
1598 Long term asset	Regulatory Assets	159533 2013 DVA Disposition - Net Principal	(2,443,897.92)
1599 Long term asset	Regulatory Assets	159534 2013 DVA Disposition - Carry Charges	(238,667.06)
1601 Long term asset	Regulatory Assets	159537 2013 DVA GA Disposition - Carry Charges	(481.00)
1602 Long term asset	Regulatory Assets	159538 2013 DVA GA Disposition - Net Principal	(701,537.14)
1603 Long term asset	Regulatory Assets	159539 2013 DVA GA Disposition - Carry Charges	(5,047.30)
1595 Long term asset	Regulatory Assets	159551 2015 DVA Disposition - Net Principal	(2,531,101.70)
1595 Long term asset	Regulatory Assets	159553 2015 DVA GA Disposition - Principal	(201,936.00)
1595 Long term asset	Regulatory Assets	159554 2015 DVA GA Disposition - Carrying Char	(21,666.00)
1595 Long term asset	Regulatory Assets	159556 2015 DVA GA Disposition - Carrying Char	(908.14)
1595 Long term asset	Regulatory Assets	159557 2016 DVA Disposition - Principal (Contr	(1,154,901.05)
1595 Long term asset	Regulatory Assets	159558 2016 DVA Disposition - Carrying Charge	(3,611.20)
		<b>REGULATORY BALANCES</b>	<b>(12,477,564.25)</b>
		<b>TOTAL EQUITY AND REGULATORY BALANCES</b>	<b>(43,769,030.79)</b>
		<b>TOTAL LIABILITIES, EQUITY AND REGULATORY BALANCES</b>	<b>(76,842,213.76)</b>

#### Trial Balance - Income Statement Grouping

Account	I/S Section	Line Grouping	GL Account Description	
4006 Revenue		Electricity, market related revenue	400620 Residential Energy Sales Power Revenue KWH	(5,317.33)
4006 Revenue		Electricity, market related revenue	400621 Residential Energy Sales Power on-Peak	(6,247,286.34)
4006 Revenue		Electricity, market related revenue	400622 Residential Energy Sales Power mid-Peak	(4,147,960.77)
4006 Revenue		Electricity, market related revenue	400623 Residential Energy Sales Power off-Peak	(10,096,542.47)
4006 Revenue		Electricity, market related revenue	400650 Global Adjustment	(19,523,619.78)
4010 Revenue		Electricity, market related revenue	401020 Commercial Energy Sales Power Revenue KWH	(36,972.37)
4010 Revenue		Electricity, market related revenue	401021 Commercial Energy Sales Power on-Peak	(2,029,830.58)
4010 Revenue		Electricity, market related revenue	401022 Commercial Energy Sales Power mid-Peak	(1,405,275.81)
4010 Revenue		Electricity, market related revenue	401023 Commercial Energy Sales Power off-Peak	(2,493,862.63)
4025 Revenue		Electricity, market related revenue	402520 Street Lighting Energy Sales Power Revenue KW	(15,916.37)
4030 Revenue		Electricity, market related revenue	403020 Sentinel Lighting Energy Sales Power Revenue KW	(453.40)
4035 Revenue		Electricity, market related revenue	401220 Scattered Load Power Recovered KWH	(23,448.75)
4035 Revenue		Electricity, market related revenue	403520 General Energy Sales Power Revenue KWH	(1,934,211.16)
4035 Revenue		Electricity, market related revenue	403540 Gen Serv Energy Power >50KW >150000KWH	(586,590.95)
4055 Revenue		Electricity, market related revenue	405560 Energy Sales for Retailers ( Mkt Cost of Energy)	(1,706,472.86)
4062 Revenue		Electricity, market related revenue	406200 Billed WMS	(1,597,464.73)
4062 Revenue		Electricity, market related revenue	406204 Billed WMS - OESP	(441,638.83)
4066 Revenue		Electricity, market related revenue	406600 Billed NW	(2,501,100.84)
4068 Revenue		Electricity, market related revenue	406800 Billed CN	(1,809,240.10)
4075 Revenue		Electricity, market related revenue	407500 Billed LV	(711,570.74)
4076 Revenue		Distribution revenue	407600 - Billed SMECharges-RES	(189,811.88)
4076 Revenue		Distribution revenue	407601 - Billed SMECharges-GS<50	(23,881.07)
			AJE Calc	(2,703,299.53)
			<b>SALE OF ENERGY</b>	<b>(60,231,769)</b>
4080 Revenue		Distribution revenue	400600 Residential Sales Distribution Fixed Charge	(3,690,361.24)
4080 Revenue		Distribution revenue	400610 Residential Sales Distribution Volumetric	(2,414,213.22)
4080 Revenue		Distribution revenue	401000 Comm Distribution Tariff Fixed Charge	(758,779.30)
4080 Revenue		Distribution revenue	401010 Commercial Sales Distribution Volumetric Charge	(713,764.36)
4080 Revenue		Distribution revenue	401200 Scattered Load Distribution Fixed Charge	(4,107.50)



4080 Revenue	Distribution revenue	401210 Scattered Load Distribution Volumetric Chge	(5,587.52)
4080 Revenue	Distribution revenue	402500 Street Lighting Sales Distribution Fixed Charge	(428,287.89)
4080 Revenue	Distribution revenue	402510 Street Lighting Sales Volumetric	(34,756.68)
4080 Revenue	Distribution revenue	403000 Sentinel Lighting Distribution Fixed Charge	(539.82)
4080 Revenue	Distribution revenue	403010 Sentinel Lighting Sales Volumetric	(986.27)
4080 Revenue	Distribution revenue	408001 Distribution Services Revenue - Transformer Allowa	100,526.74
4080 Revenue	Distribution revenue	408010 Distribution Services Revenue - CDM	
4080 Revenue	Distribution revenue	403500 General Sales Distribution Tariff Fixed Charge	(631,773.00)
4080 Revenue	Distribution revenue	403510 General Sales Distribution Volumetric Charge	(946,281.78)
4050 Revenue	Distribution revenue	405001 LPP Litigation Recovery - Residential	
4050 Revenue	Distribution revenue	405002 LPP Litigation Recovery - GS<50kW	
4050 Revenue	Distribution revenue	405003 LPP Litigation Recovery - GS>50kW	
4050 Revenue	Distribution revenue	405004 LPP Litigation Recovery - USL	
4050 Revenue	Distribution revenue	405005 LPP Litigation Recovery - Sentinel	
4050 Revenue	Distribution revenue	405006 LPP Litigation Recovery - Street Lighting	
4050 Revenue	Distribution revenue	405013 2013 HST Disposition	(58.34)
4050 Revenue	Distribution revenue	405017 2015 Global Adjustment Sub-Account Disp	1,078.63
4050 Revenue	Distribution revenue	405018 2016 Deferral & Variance Acct Dispositi	99.15
4050 Revenue	Distribution revenue	405020 Regulatory Asset Recovery	(0.46)
4050 Revenue	Distribution revenue	405030 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405040 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405050 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405060 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405063 2012 IRM Disposal and Recovery of Regulatory Balance - RES	
4050 Revenue	Distribution revenue	405064 2012 IRM Disposal and Recovery of Regulatory Balance - GS<	
4050 Revenue	Distribution revenue	405070 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405073 2012 IRM Dispo & Recov of GA-Residen(no	(232.02)
4050 Revenue	Distribution revenue	405074 2012 IRM Dispo & Recov of GA- GS<50 (no	(276.79)
4050 Revenue	Distribution revenue	405077 2012 IRM Dispo & Recov of GA-StrLght(no	(1.06)
4050 Revenue	Distribution revenue	405080 Regulatory Asset Recovery	
4050 Revenue	Distribution revenue	405027 2012 IRM LRAM Recovery - Residential	
4050 Revenue	Distribution revenue	405028 2012 IRM LRAM Recovery - GS<50kW	
4050 Revenue	Distribution revenue	405029 2012 IRM LRAM Recovery - GS>50kW	
4050 Revenue	Distribution revenue	405043 2012 IRM Tax Adjustments - Residential	
4050 Revenue	Distribution revenue	405044 2012 IRM Tax Adjustments - GS<50	
4050 Revenue	Distribution revenue	405045 2012 IRM Tax Adjustments - GS>50	
4050 Revenue	Distribution revenue	405046 2012 IRM Tax Adjustments - USL	
4050 Revenue	Distribution revenue	405047 2012 IRM Tax Adjustments - Sentinel	
4050 Revenue	Distribution revenue	405048 2012 IRM Tax Adjustments - Street Lighting	
4050 Revenue	Distribution revenue	405081 2011 IRM Shared Tax Savings - Residential	
4050 Revenue	Distribution revenue	405082 2011 IRM Shared Tax Savings - GS<50kW	
4050 Revenue	Distribution revenue	405083 2011 IRM Shared Tax Savings - GS>50kW	
4050 Revenue	Distribution revenue	405084 2011 IRM Shared Tax Savings - USL	
4050 Revenue	Distribution revenue	405085 2011 IRM Shared Tax Savings - Sentinel	
4050 Revenue	Distribution revenue	405086 2011 IRM Shared Tax Savings - Street Lighting	
4050 Revenue	Distribution revenue	405087 2011 Recov of Variance Acct - Residential	
4050 Revenue	Distribution revenue	405088 2011 Recov of Variance Acct - GS<50	
4050 Revenue	Distribution revenue	405089 2011 Recov of Variance Acct - GS>50	
4050 Revenue	Distribution revenue	405094 2011 Recov of GA Variance Acct - GS<50	
4050 Revenue	Distribution revenue	405095 2011 Recov of GA Variance Acct - GS>50	
4324 Revenue	Distribution revenue	432400 Special Purpose Charge Recovery	24.59
4080 Revenue	Distribution revenue	408021 - Smart Meter DR - Residential	(46,090.15)
4080 Revenue	Distribution revenue	408022 - Smart Meter DR - GS<50	(63,500.96)
4080 Revenue	Distribution revenue	408023 - Smart Meter DR - GS>50	(4,241.68)
4080 Revenue	Distribution revenue	408000 Distribution Services Revenue - SS Admin Residenti	(66,101.99)
		Regulatory Adjustments	24,381.52
		<b>DISTRIBUTION REVENUE</b>	<b>(9,683,831)</b>

4210 Revenue	Rental of electric property	421000 Rent from Electric Property	(92,373.36)	
4082 Revenue	Retail services	408208 Retail Services Rev.- Standard Service		
4082 Revenue	Retail services	408210 Monthly Fixed Retail Charge	(4,460.00)	
4082 Revenue	Retail services	408212 Monthly Var Serv Charge	(3,061.79)	
4082 Revenue	Retail services	408218 Retail Services Rev.- Bill Ready Service Charge	(4,515.00)	
4084 Revenue	Retail services	408400 STR Revenues - Request Fee	(125.25)	
4084 Revenue	Retail services	408410 STR Revenues - Processing Fee	(202.00)	
4225 Revenue	Retail services	422530 Revenue Collection Charges	(122,124.15)	(134,488.19)
4220 Revenue	Other revenue	422520 Revenue NSF Charges	(1,305.00)	
4220 Revenue	Other revenue	422540 Revenue Reconnect Charges	(9,661.20)	
4220 Revenue	Other revenue	422560 Revenue Miscellaneous	(157.88)	
4220 Revenue	Other revenue	422570 Revenue Arrears Certificates	(60.00)	
4220 Revenue	Other revenue	422580 Revenue Change of Occupancy	(79,020.00)	
4235 Revenue	Other revenue	423500 Miscellaneous Service Revenues	(2,763.54)	
4235 Revenue	Other revenue	423510 Misc Revenues - Statement of Account	(1,305.00)	
4235 Revenue	Other revenue	423530 Misc Revenues - IT Letter	(75.00)	
4235 Revenue	Other revenue	423540 Misc Revenues - Credit Reference	(750.00)	
4235 Revenue	Other revenue	423565 Collection of Account/No Disconnection	(6,510.00)	
4235 Revenue	Other revenue	423570 Misc Revenues - Meter Dispute Charge	(30.00)	
4235 Revenue	Other revenue	423590 Misc Service Revenue - microFIT service charge	(4,533.90)	
4245 Revenue	Other revenue	424510 Amort of Cont. Capital	(196,326.86)	
4245 Revenue	Other revenue	424520 Revenue Guarantee Retained Realized Rev	(32,522.16)	
4325 Revenue	Other revenue	432510 Revenues from Job Orders	(46,778.62)	
4325 Revenue	Other revenue	432570 IFRS Rev/GAAPContCap	23,990.28	
4355 Revenue	Other revenue	435510 Gain on Disp. of Utility & Other Proper	(3,750.00)	
4330 Revenue	Other revenue	506510 Consumption - Poles/Towers/Fixtures	3,520.98	
4330 Revenue	Other revenue	506520 Consumption - OH Conductors and Devices	4,044.35	
4330 Revenue	Other revenue	506525 Consumption - UG Conductors and Devices	281.86	
4330 Revenue	Other revenue	506530 Consumption - UG Conductors	321.42	
4330 Revenue	Other revenue	506560 Consumption - UG Transformers		
4330 Revenue	Other revenue	506580 Consumption - Wire OH	748.24	
4330 Revenue	Other revenue	506590 Consumption - Wire UG		
4330 Revenue	Other revenue	506591 Scrap Inventory Acct	2,548.29	
4330 Revenue	Other revenue	506601 Non Stock material - Conductors and Dev	180.00	
4330 Revenue	Other revenue	506604 Non Stock L. Trans. OH	2,898.00	
4330 Revenue	Other revenue	506605 Non Stock L. Trans. OH		
4330 Revenue	Other revenue	506611 Consumption Non Stock Material - S. Meters	209.41	
4330 Revenue	Other revenue	506699 Consumption - Capital Plan	95.00	
4330 Revenue	Other revenue	508700 Contracted Services	2,520.00	
4330 Revenue	Other revenue	508701 Contracted Services Cond OH	980.00	
4330 Revenue	Other revenue	508705 Consumption Non Stock Material - L. Tr UG		
4330 Revenue	Other revenue	508708 Contracted Services - Meters	308.00	
4330 Revenue	Other revenue	508711 Contracted Services - Smart M		
4330 Revenue	Other revenue	508799 Consumption Non Stock Material - EX. Ser. Cap Plan	11,942.41	
4360 Revenue	Other revenue	436200 Loss Ret Utility & O	146,493.10	
4375 Revenue	Other revenue	437500 Revenues from Non-Utility Operations		
4380 Revenue	Other revenue	438000 Expenses of Non-Utility Operations		
4390 Revenue	Other revenue	439000 Miscellaneous Non-Operating Income	(5,021.42)	
4325 Revenue	Other revenue	432500 Revenues from Jobbing, Merchandising, Etc.	(25,843.57)	(215,332.81)
		Amortization of Contributed Capital	(25,329.25)	
		<b>OTHER REVENUE</b>	<b>(543,664)</b>	

4705 Expense	Electricity, market related expense	470500 Power Purchased	30,191,716.19	29,911,223.31
4705 Expense	Electricity, market related expense	470510 Fixed Energy Rate Settlement Amount Code 140	538,425.60	334,727.59
4705 Expense	Electricity, market related expense	470515 Power Purchased - Global Adjustment	19,523,619.78	9,756,577.84
4708 Expense	Electricity, market related expense	470800 Charges-WMS	1,597,464.73	2,258,192.00
4708 Expense	Electricity, market related expense	470804 Charges - WMS - OESP	441,638.83	
4714 Expense	Electricity, market related expense	471400 Charges-NW	2,501,100.84	2,762,791.77

4716 Expense	Electricity, market related expense	471600 Charges-CN	1,809,240.10	1,515,636.83
4750 Expense	Electricity, market related expense	475000 Charges - LV	711,570.74	745,456.24
4751 Expense	Electricity, market related expense	475100 Charges - SME	213,692.95	212,573.07
		RSVA Adjustment	—	
		<b>COST OF POWER PURCHASED</b>	<u>3,127,644.48</u>	
			<b>60,656,114</b>	
		Employee Salaries and Benefits in Operating Expenses	—	3,015,876
		<b>EMPLOYEE SALARIES AND BENEFITS</b>	<b>—</b>	<b>3,015,876</b>
5010 Expense	Distribution, operation and maintenance	715010 Settlement - Load Dispatching		
5016 Expense	Distribution, operation and maintenance	715010 Settlement - Distribution Station Equipment		
5016 Expense	Distribution, operation and maintenance	715016 Settlement - Distribution Station Equipment	2,240.90	
5020 Expense	Distribution, operation and maintenance	715020 Sett OH Dis Li&Feed-		
5035 Expense	Distribution, operation and maintenance	715035 Settlement - OH Distribution Transformers		
5040 Expense	Distribution, operation and maintenance	715040 Settlement UG Distribution Lines and Feeders	165,647.71	
5065 Expense	Distribution, operation and maintenance	506500 Meter Expense		
5065 Expense	Distribution, operation and maintenance	715065 Settlement Meter Expense	213,995.05	
5085 Expense	Distribution, operation and maintenance	508500 Miscellaneous Distribution Expense		
5085 Expense	Distribution, operation and maintenance	715085 Settlement Misc Distribution Expense	8,500.00	
5110 Expense	Distribution, operation and maintenance	715110 Settlement Maintenance Buildings and Fixtures	10,194.17	
5114 Expense	Distribution, operation and maintenance	511400 Maintenance of Distribution Station Equipment	185.00	
5114 Expense	Distribution, operation and maintenance	715114 Settlement Mtce of Distribution Stations	211,128.02	
5120 Expense	Distribution, operation and maintenance	512000 Maintenance of Poles, Towers and Fixtures		
5120 Expense	Distribution, operation and maintenance	715120 Settlement Mtce of Poles, Towers and Fixtures	226,979.80	
5125 Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices	371,296.74	
5130 Expense	Distribution, operation and maintenance	715130 Settlement Mtce of OH Services	124,614.18	
5135 Expense	Distribution, operation and maintenance	715135 Settlement OH Distribution Lines and Feeders	215,176.59	
5145 Expense	Distribution, operation and maintenance	715145 Settlement Mtce of UG Conduit	5,089.27	
5150 Expense	Distribution, operation and maintenance	715150 Settlement Mtce of Underground Conductors and Devices	71,423.36	
5150 Expense	Distribution, operation and maintenance	515000 Maintenance of Underground Conductors and Devices	125.00	
5155 Expense	Distribution, operation and maintenance	715155 Settlement Mtce of UG Services	208,972.66	
5160 Expense	Distribution, operation and maintenance	516000 Maintenance of Line Transformers O/H	773.25	
5160 Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers	148,687.30	
5170 Expense	Distribution, operation and maintenance	715170 Settlement Mtce of Sentinel Lights	2,064.08	
5175 Expense	Distribution, operation and maintenance	715175 Settlement Maintenance of Meters	44,057.26	
5175 Expense	Distribution, operation and maintenance	517500 Maintenance of Meters	811.72	
5175 Expense	Distribution, operation and maintenance	517510 Maintenance of Meters - Wholesale	78,128.59	
5195 Expense	Distribution, operation and maintenance	715195 Settlement Mtce Other Installations on Cust Premises	987.99	
5705 Expense	Amortization	570550 Truck Amortization Exp -IFRS	129,585.16	
		Adjustment to distribution expense	49,833.76	2,290,497.56
5310 Expense	Billing and collecting	531000 Meter Reading Expense	80,281.21	
5315 Expense	Billing and collecting	531510 Non STR Services Expense	12,036.79	
5315 Expense	Billing and collecting	531560 STR Services Expense	327.25	
5320 Expense	Billing and collecting	532000 Collecting	113.79	
5330 Expense	Billing and collecting	533000 Collection Charges	42,700.44	
5335 Expense	Billing and collecting	533500 Bad Debt Expense	65,654.74	
5310 Expense	Billing and collecting	715310 Settlement Meter Reading Expense	137,995.83	
5315 Expense	Billing and collecting	531500 Customer Billing		
5315 Expense	Billing and collecting	715315 Settlement Customer Billing	400,968.11	
5320 Expense	Billing and collecting	715320 Settlement Collecting	303,717.95	1,043,796.11
5610 Expense	Administration	561000 Management Salaries and Expenses	32.31	
5615 Expense	Administration	561500 General Administrative Salaries and Expenses	(16,339.68)	
5615 Expense	Administration	561510 General Administration Meal & Entertainment	8,460.44	
5620 Expense	Administration	562000 Office Supplies and Expenses	55,505.60	
5620 Expense	Administration	562010 Computer Maintenance Software	494,101.13	
5620 Expense	Administration	562020 Computer Maintenance Hardware	21,761.25	
5620 Expense	Administration	562050 Communication Expense	71,983.79	
5630 Expense	Administration	563000 Outside Services Employed - Accountant	93,483.34	
5665 Expense	Administration	500000 Expenses - Fixed Cost		

5305 Expense	Administration	530500 Supervision		
5630 Expense	Administration	563010 Outside Services Employed - Legal	47,823.51	
5630 Expense	Administration	563020 Outside Services Employed - Consultants	167,880.52	
5630 Expense	Administration	563030 Outside Services Employed - Due Diligence	2,995.00	
5635 Expense	Administration	563500 Insurance - Property/Liability	105,402.79	
5635 Expense	Administration	715635 Settlement Property Insurance		
5640 Expense	Administration	564000 Injuries and Damages		
5655 Expense	Administration	565500 Regulatory Expenses	146,264.12	
5660 Expense	Administration	566000 General Advertising Expenses	7,946.83	
5105 Expense	Administration	566500 Miscellaneous General Expenses	72,042.09	
5605 Expense	Administration	715605 Settlement Exec Salaries and Expenses	515,368.84	
5610 Expense	Administration	715610 Settlement Management Salaries and Expenses	122,226.34	
5615 Expense	Administration	715615 Settlement General Admin Salaries	311,665.37	
5105 Expense	Administration	715665 Settlement Misc. General Expenses	134,433.57	2,363,037.16
5675 Expense	Repairs and maintenance of general plant	567500 Maintenance of General Plant - Office and Service	383.60	
5675 Expense	Repairs and maintenance of general plant	715675 Settlement Mtce of General Plant	88,101.65	88,485.25
5415 Expense	Billing and collecting	541500 Energy Conservation	-90,814.62	
5415 Expense	Billing and collecting	715415 Settlement Energy Conserva	91,166.30	351.68
5410 Expense	Community relations and donations	541000 Community Relations - Sundry	18,773.07	
5420 Expense	Community relations and donations	542000 Community Safety Program		
5420 Expense	Community relations and donations	715420 Settlement Community Safety		
5425 Expense	Community relations and donations	542500 Miscellaneous Customer Service and Informational E	10,555.94	
6205 Expense	Community relations and donations	620500 Donations	41,816.64	71,145.65
6105 Expense	Municipal taxes	610500 Taxes Other Than Income Taxes	34,097.09	34,097.09
		Loss on retirement	146,493.10	146,493.10
		Impairment on losses of financial assets included above	-65,654.74	(65,654.74)
		Employee Salaries and Benefits included above	-3,015,876.00	(3,015,876.00)
		<b>OPERATING EXPENSES</b>	<b><u>2,956,373</u></b>	
5705 Expense	Amortization	570500 Amortization Expense # Distribution Stations		
5705 Expense	Amortization	570501 Amortization Expense # Bldgs & Equipment		
5705 Expense	Amortization	570540 Amortization Exp. IFRS	1,509,101.22	
5725 Expense	Amortization	572500 Miscellaneous Amortization		
		<b>DEPRECIATION AND AMORTIZATION</b>	<b><u>1,509,101</u></b>	
4405 Revenue	Other revenue	440500 Interest and Dividend Income	(19,433.23)	
4405 Revenue	Other revenue	440510 Interest Regulatory Assets	(18,358.73)	
		<b>FINANCE INCOME</b>	<b><u>(37,792)</u></b>	
6005 Expense	Interest on long term debt	600500 Interest on Long Term Debt	480,368.73	
		* includes the unrealized loss on the interest rate swaps.		
6035 Expense	Other interest	Loss on interest rate swaps	350,268.00	
6035 Expense	Other interest	603501 Security Deposit Interest Expense	7,650.95	
		Impairment losses on financial assets from operating expenses	65,655	
		603500 Other Interest Expense	70,917.22	
		<b>FINANCE COSTS</b>	<b><u>974,860</u></b>	
		Loss on interest rate swaps	(350,268.00)	
		<b>UNREALIZED LOSS ON INTEREST RATE SWAPS</b>	<b><u>(350,268)</u></b>	
6115 Expense	Income tax - future	611500 Future Income Tax	141,000.00	
6110 Expense	Income tax - current	611000 Corporate Taxes	102,000.00	
		Income Tax Adjustment	335,000.00	

<b>INCOME TAX EXPENSE</b>	<u><b>578,000</b></u>
Net Movement in regulatory balances, net of tax	<u>(783,727)</u>
<b>NET MOVEMENT IN REGULATORY BALANCES, NET OF TAX</b>	<u><b>(783,727)</b></u>

Balance Check	<b>(1,940,728)</b>
Balance per Audited Statements	<u>                    </u>
Difference	<u><b>1,940,728</b></u>

Westario Power Inc.		2015	2015 Audited Accounts	WPI TB 2015 MIFRS	Labour Exp	Adj	Oper Exp	Reg Adjust	2015 Audited Financial
Acc	B/S Section								
1005	Current Assets	Cash	100500 Cash	1,853,089					1,853,089
1005	Current Assets	Cash	100510 Cash Advances Petty Cash	500					500
1005	Current Assets	Cash	100550 Deposit Clearing Account	(18,696)					(18,696)
1005	Current Assets	Cash	100551 Cheque Clearing Account	(318,346)					(318,346)
1040	Current Assets	Cash	104000 Other Special Deposits Retailers	-					-
			<b>Cash</b>	1,516,547					<b>1,516,547</b>
1100	Current Assets	Accounts Receivable	110000 Collective Energy A/c Rec	3,673,000		(77,992)			3,595,008
1100	Current Assets	Accounts Receivable	110020 Customer Accounts Receivable Residential Energy						-
1102	Current Assets	Accounts Receivable	110070 Accounts Receivable Retailers	13,072					13,072
1102	Current Assets	Accounts Receivable	110200 Accounts Receivable Services	117,444					117,444
1104	Current Assets	Accounts Receivable	110400 Accounts Receivable Recoverable Work	79,624					79,624
1105	Current Assets	Accounts Receivable	110500 Accounts Receivable - Miscellaneous	473,546					473,546
1105	Current Assets	Accounts Receivable	111014 Retailer Clearing Account (Distributor Consol)						-
1130	Current Assets	Accounts Receivable	113000 Accumulated Provision for Uncollectible AccountsCr	(248,500)					(248,500)
1190	Current Assets	Accounts Receivable	119000 Miscellaneous Current and Accrued Assets	1,084,567					1,084,567
			<b>ACCOUNTS RECEIVABLE</b>	5,192,754					<b>5,114,762</b>
1100	Current Assets	Accounts Receivable	<b>Due from related parties</b>						
			<b>ACCOUNTS RECEIVABLE</b>	-		77,992			<b>77,992</b>
1120	Current Assets	Accrued Unbilled Revenue	112000 Accrued Utility Revenues	6,317,802					6,317,802
			<b>Unbilled revenue</b>	6,317,802					<b>6,317,802</b>
1330	Current Assets	Inventory	133000 Plant Materials and Operating Supplies	530,202					530,202
1330	Current Assets	Inventory	133099 Inventory Adjustment Account - Major Spare Parts	(466,578)					(466,578)
			<b>Materials and supplies</b>	63,624					<b>63,624</b>
1180	Current Assets	Prepaid Expenses	118000 Prepayments	148,599					148,599

			<b>Prepaid expenses</b>	148,599					<b>148,599</b>
1070	Non-current Asset	Investment in Equities	107000 Current Investments	28,911					<b>28,911</b>
			<b>INVESTMENT IN EQUITIES</b>	28,911					<b>28,911</b>
			<b>Total current assets</b>	13,268,235					<b>13,268,235</b>
1606	Capital Asset	Property, Plant & Equipment	160600 Organizational Costs	-					-
1805	Capital Asset	Property, Plant & Equipment	180500 Land	227,769					227,769
1808	Capital Asset	Property, Plant & Equipment	180800 Buildings and Fixtures	2,271,787					2,271,787
1820	Capital Asset	Property, Plant & Equipment	182000 Distribution Station Equipment Normally Primary b	4,965,509					4,965,509
1830	Capital Asset	Property, Plant & Equipment	183000 Poles, Towers and Fixtures	6,194,851					6,194,851
1835	Capital Asset	Property, Plant & Equipment	183500 Overhead Conductors and Devices	7,209,460					7,209,460
1840	Capital Asset	Property, Plant & Equipment	184000 Underground Conduit	2,262,784					2,262,784
1845	Capital Asset	Property, Plant & Equipment	184500 Underground Conductors and Devices	6,647,668					6,647,668
1850	Capital Asset	Property, Plant & Equipment	185000 Line Transformers Overhead	4,526,769					4,526,769
1855	Capital Asset	Property, Plant & Equipment	185500 Services Overhead	2,048,936					2,048,936
1860	Capital Asset	Property, Plant & Equipment	186000 Meters	4,411,689					4,411,689
1865	Capital Asset	Property, Plant & Equipment	186500 Other Installations on Customer's Premises	1,635					1,635
1330	Capital Asset	Property, Plant & Equipment	189999 Major Spare Parts Inventory	466,578					466,578
1915	Capital Asset	Property, Plant & Equipment	191500 Office Furniture and Equipment	115,027					115,027
1920	Capital Asset	Property, Plant & Equipment	192000 Computer Equipment Hardware	250,240					250,240
1925	Capital Asset	Property, Plant & Equipment	192500 Computer Software	527,608		(527,608)			-
1930	Capital Asset	Property, Plant & Equipment	193000 Transportation Equipment	1,394,434					1,394,434
1935	Capital Asset	Property, Plant & Equipment	193500 Stores Equipment	46,651					46,651
1940	Capital Asset	Property, Plant & Equipment	194000 Tools, Shop and Garage Equipment	289,235					289,235
1945	Capital Asset	Property, Plant & Equipment	194500 Measurement and Testing Equipment	32,767					32,767
1950	Capital Asset	Property, Plant & Equipment	195000 Power Operated Equipment	38,294					38,294
1955	Capital Asset	Property, Plant & Equipment	195500 Communication Equipment	72,553					72,553
1960	Capital Asset	Property, Plant & Equipment	196000 Miscellaneous Equipment	83,876					83,876
1995	Capital Asset	Property, Plant & Equipment	199500 Contributions and Grants Credit Poles Tower Fixt	(718,213)		718,213			-
2055	Capital Asset	Property, Plant & Equipment	205500 Construction Work in ProgressElectric	953,823					953,823

2105	Capital Asset	Property, Plant & Equipment	210500 Accum Amort Electric Plant - Distr Stn Equip	(559,417)					(559,416)
2105	Capital Asset	Property, Plant & Equipment	210501 Accumulated Amortization - Bldgs & Equipment	(106,495)					(106,495)
2105	Capital Asset	Property, Plant & Equipment	210502 Accumulated Amortization - Poles	(259,539)					(259,539)
2105	Capital Asset	Property, Plant & Equipment	210503 Accumulated Amortization - O/H Conductors	(237,480)					(237,480)
2105	Capital Asset	Property, Plant & Equipment	210504 Accumulated Amortization - U/G Conductors	(373,580)					(373,580)
2105	Capital Asset	Property, Plant & Equipment	210505 Accumulated Amortization - U/G Conduit	(59,296)					(59,296)
2105	Capital Asset	Property, Plant & Equipment	210506 Accumulated Amortization - O/H Transformers	(360,572)					(360,572)
2105	Capital Asset	Property, Plant & Equipment	210508 Accumulated Amortization - O/H Services	(94,264)					(94,264)
2105	Capital Asset	Property, Plant & Equipment	210510 Accumulated Amortization - Meters	(667,857)					(667,857)
2105	Capital Asset	Property, Plant & Equipment	210520 Accumulated Amortization - Contr Capital O/H Lines	16,722		(16,722)			-
2105	Capital Asset	Property, Plant & Equipment	218000 Accum. Amortization - Office Equipment	(29,926)					(29,926)
2105	Capital Asset	Property, Plant & Equipment	218001 Accum. Amortization - Computer Hardware	(75,682)					(75,682)
2105	Capital Asset	Property, Plant & Equipment	218002 Accum. Amortization - Computer Software	(239,615)		239,615			-
2105	Capital Asset	Property, Plant & Equipment	218003 Accum. Amortization - Rolling Stock	(246,603)					(246,603)
2105	Capital Asset	Property, Plant & Equipment	218005 Accum. Amortization - Stores Equipment	(19,596)					(19,596)
2105	Capital Asset	Property, Plant & Equipment	218006 Accum. Amortization - Tools & Garage	(60,340)					(60,340)
2105	Capital Asset	Property, Plant & Equipment	218007 Accum. Amortization - Measurement Equipment	(17,234)					(17,234)
2105	Capital Asset	Property, Plant & Equipment	218008 Accumu. Amortization - Power Operated Equip	(17,811)					(17,811)
2105	Capital Asset	Property, Plant & Equipment	218009 Accum. Amortization - Communication Equip	(18,257)					(18,257)
2105	Capital Asset	Property, Plant & Equipment	218010 Accum. Amortization - Misc Equipment	(16,860)					(16,860)
			<b>Property, plant and equipment</b>	40,878,031					<b>41,291,529</b>
1508	Long term asset	Regulatory Assets	150830 Other Reg Assets - Deferred IFRS Transition Costs	85,432				(85,432)	
1508	Long term asset	Regulatory Assets	150832 Other Reg Asset-Deferred IFRS Transition Costs-Int	3,025				(3,025)	
1508	Long term asset	Regulatory Assets	150840 Other Reg Assets - Incremental Capital Charges					-	



1508	Long term asset	Regulatory Assets	150842 Other Reg Assets-Incremental Capital Charges - Int					-	
1518	Long term asset	Regulatory Assets	151800 RCVARetail	(31,878)				31,878	
1518	Long term asset	Regulatory Assets	151810 RCVA Retail - Interest	(877)				877	
1532	Long term asset	Regulatory Assets	153200 Renewable Connection OM&A Deferral Account	1,974				(1,974)	
1532	Long term asset	Regulatory Assets	153210 Renewable Connection OM&A Deferral Account-Interes	86				(86)	
1548	Long term asset	Regulatory Assets	154800 RCVA STR (Request Fee)	49,550				(49,550)	
1548	Long term asset	Regulatory Assets	154810 RCVA - STR - Interest	1,776				(1,776)	
1551	Long term asset	Regulatory Assets	155101 Smart Meter Entity Charge Variance - Residential	(6,603)				6,603	
1551	Long term asset	Regulatory Assets	155102 Smart Meter Entity Charge Variance - GS<50	(1,031)				1,031	
1551	Long term asset	Regulatory Assets	155103 Smart Meter Entity Charge Variance - Carry Chg	(76)				76	
1555	Long term asset	Regulatory Assets	155500 Smart Meter Capital and Recovery Offset Variance					-	
1555	Long term asset	Regulatory Assets	155510 Smart Meter Carrying Charges					-	
1555	Long term asset	Regulatory Assets	155523 Stranded Assets - Recovery	(626,819)				626,819	
1555	Long term asset	Regulatory Assets	155524 Stranded Assets - Carry Chg	8,198				(8,198)	
1555	Long term asset	Regulatory Assets	155525 Stranded Assets - Residential Meters	850,317				(850,317)	
1555	Long term asset	Regulatory Assets	155526 SM Stranded Assets - Res Meter - Acc Amort	(426,163)				426,163	
1555	Long term asset	Regulatory Assets	155527 SM Stranded Asset-Meter-GS<50	478,101				(478,101)	
1555	Long term asset	Regulatory Assets	155528 SM Stranded Asset-Meter-GS<50 - Accum Amort	(293,846)				293,846	
1565	Long term asset	Regulatory Assets	156500 Conservation and Demand Exp. and Recov.	(17,231)				17,231	
1566	Long term asset	Regulatory Assets	156600 Conservation and Demand Management Contra	17,231				(17,231)	
1568	Long term asset	Regulatory Assets	156801 LRAM Variance Account - RES	12,980				(12,980)	
1568	Long term asset	Regulatory Assets	156802 LRAM Variance Account - GS<50	31,934				(31,934)	
1568	Long term asset	Regulatory Assets	156803 LRAM Variance Account - GS>50	1,101				(1,101)	
1568	Long term asset	Regulatory Assets	156805 LRAM Variance Account - RES - Net Principal	(19,124)				19,124	
1568	Long term asset	Regulatory Assets	156806 LRAM Variance Account - GS<50 - Net Principal	(33,964)				33,964	
1568	Long term asset	Regulatory Assets	156807 LRAM Variance Account - GS>50 - Net Principal	(1,091)				1,091	

1568	Long term asset	Regulatory Assets	156808 LRAM Variance Account - RES - Carrying Charge	406				(406)	
1568	Long term asset	Regulatory Assets	156809 LRAM Variance Account - GS<50 - Carrying Charge	1,147				(1,147)	
1568	Long term asset	Regulatory Assets	156810 LRAM Variance Account - GS>50 - Carrying Charge	40				(40)	
1575	Long term asset	Regulatory Assets	157501 IFRS/CGAAP Transitional PP&E Amounts	(134,504)				134,504	
1580	Long term asset	Regulatory Assets	158000 RSVAWMS	(868,925)				868,925	
1580	Long term asset	Regulatory Assets	158001 RSVA (WHS) Carrying charges	953				(953)	
1580	Long term asset	Regulatory Assets	158002 RSVAWMS - CBDR Class B	114,324				(114,324)	
1580	Long term asset	Regulatory Assets	158003 RSVA (WHS) Carrying charges - CBDR Clas	353				(353)	
1584	Long term asset	Regulatory Assets	158400 RSVANW	(66,265)				66,265	
1584	Long term asset	Regulatory Assets	158401 RSVA (NW) Carrying Charges	(4,424)				4,424	
1550	Long term asset	Regulatory Assets	158500 RSVALV	867,406				(867,406)	
1550	Long term asset	Regulatory Assets	158501 RSVA (LV) Carrying Charges	7,203				(7,203)	
1586	Long term asset	Regulatory Assets	158600 RSVACN	460,594				(460,594)	
1586	Long term asset	Regulatory Assets	158601 RSVA(CN) Carrying Charges	8,443				(8,443)	
1588	Long term asset	Regulatory Assets	158800 RSVPOWER	1,461,387				(1,461,387)	
1588	Long term asset	Regulatory Assets	158801 RSVA (POWER) Carrying charges	8,492				(8,492)	
1588	Long term asset	Regulatory Assets	158810 RSVA Power - Global Adjustment	(1,156,608)				1,156,608	
1588	Long term asset	Regulatory Assets	158811 RSVA Global Adjustment (POWER) Carrying charges	(11,551)				11,551	
1592	Long term asset	Regulatory Assets	159201 HST OVAT/ITC	97,280				(97,280)	
1592	Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA	(122,917)				122,917	
1592	Long term asset	Regulatory Assets	159203 HST OVAT/ITC - Carrying Charge	8,003				(8,003)	
1592	Long term asset	Regulatory Assets	159204 HST OVAT/ITC - CONTRA - Carrying Charge	(7,383)				7,383	
1596	Long term asset	Regulatory Assets	159531 2013 DVA Disposition - Principal	2,037,483				(2,037,483)	
1597	Long term asset	Regulatory Assets	159532 2013 DVA Disposition - Carry Charges	233,499				(233,499)	
1598	Long term asset	Regulatory Assets	159533 2013 DVA Disposition - Net Principal	(2,214,491)				2,214,491	
1599	Long term asset	Regulatory Assets	159534 2013 DVA Disposition - Carry Charges	27,000				(27,000)	
1600	Long term asset	Regulatory Assets	159536 2013 DVA GA Disposition - Principal	600,993				(600,993)	
1601	Long term asset	Regulatory Assets	159537 2013 DVA GA Disposition - Carry Charges	(481)				481	
1602	Long term asset	Regulatory Assets	159538 2013 DVA GA Disposition - Net Principal	(596,681)				596,681	

1603	Long term asset	Regulatory Assets	159539 2013 DVA GA Disposition - Carry Charges	8,667				(8,667)	
1595	Long term asset	Regulatory Assets	159549 2015 DVA Disposition - Principal	2,745,710				(2,745,710)	
1595	Long term asset	Regulatory Assets	159550 2015 DVA Disposition - Carrying Charge	68,691				(68,691)	
1595	Long term asset	Regulatory Assets	159551 2015 DVA Disposition - Net Principal	(1,618,691)				1,618,691	
1595	Long term asset	Regulatory Assets	159552 2015 DVA Disposition - Carrying Charge	12,653				(12,653)	
1595	Long term asset	Regulatory Assets	159553 2015 DVA GA Disposition - Principal	(201,936)				201,936	
1595	Long term asset	Regulatory Assets	159554 2015 DVA GA Disposition - Carrying Char	(21,666)				21,666	
1595	Long term asset	Regulatory Assets	159555 2015 DVA GA Disposition - Net Principal	143,247				(143,247)	
1595	Long term asset	Regulatory Assets	159556 2015 DVA GA Disposition - Carrying Char	(847)				847	
			<b>Regulatory balances</b>	1,969,604				<b>(1,969,604)</b>	
1460	Long term asset	Long term asset	146000 Other Non-current Assets	495,464		(1,909)			493,555
1460	Long term asset	Long term asset	146010 Other Non-current Assets - Accumulated Amortizatio	(177,369)					(177,369)
			<b>LONG-TERM ASSETS</b>	318,095					<b>316,186</b>
2405	Long term asset	Future Tax Regulatory Asset	240505 Future Tax Regulatory Asset	2,212,000				(2,212,000)	-
			<b>FUTURE TAX REGULATORY ASSET</b>	2,212,000					-
2060	Capital Asset	Goodwill	161000 Miscellaneous Intangible Plant	2,214,322					2,214,322
2140	Capital Asset	Goodwill	212000 Accumulated Amortization - Intangibles			(239,615)			(239,615)
			192500 Computer Software			527,608			527,609
			<b>Intangible assests</b>	2,214,322					<b>2,502,316</b>
			<b>Regulatory Assets</b>					12,081,679	<b>12,081,679</b>
			<b>Total assets &amp; regulatory balances</b>	60,860,287		<b>699,581</b>			<b>69,459,946</b>
2205	Current Liabilities	Accounts Payble	220500 Accounts Payable	(5,074,127)		86,797			(4,987,330)
2220	Current Liabilities	Accounts Payble	222000 Miscellaneous Current and Accrued Liabilities	(1,635,165)		(1,998)			(1,637,163)
2220	Current Liabilities	Accounts Payble	222073 CDM - Deferred Revenue - Residential	(2,928)					(2,928)

2220	Current Liabilities	Accounts Payable	222074 CDM - Deferred Revenue - Commercial	(336)					(336)
2220	Current Liabilities	Accounts Payable	222075 CDM - Deferred Revenue - Industrial	7,609					7,609
2220	Current Liabilities	Accounts Payable	222078 CDM - Deferred Revenue - 2015 to 2020	12,387					12,387
2220	Current Liabilities	Accounts Payable	222079 CDM - Deferred Revenue - Low Income	5,076					5,076
2405	Current Liabilities	Accounts Payable	240500 Other Regulatory Liabilities	(13,541)					(13,541)
			<b>Accounts Payable and Accrued Liabilities</b>	(6,701,024)					<b>(6,616,225)</b>
2205	Current Liabilities	Accounts Payable	AP-Due to Related parties			(86,797)			(86,797)
			<b>Due to related parties</b>	-					<b>(86,797)</b>
2208	Current Liabilities	Current Deposits and Credit Balances	220800 Customer Credit Balances	(584,767)					(584,767)
2210	Current Liabilities	Current Deposits and Credit Balances	221000 Current Portion of Customer Deposits	(425,037)					(425,037)
2425	Current Liabilities	Current Deposits and Credit Balances	242000 Down Payments	(134,340)					(134,340)
2425	Current Liabilities	Current Deposits and Credit Balances	242080 Down Payments	(11,596)					(11,596)
			<b>Customer deposits</b>	(1,155,741)					<b>(1,155,741)</b>
2294	Current Assets	Income Taxes Recoverable	229400 Accrual for Taxes - Corporate Taxes Payable	(6,994)					(6,994)
			<b>Income taxes payable</b>	(6,994)					<b>(6,994)</b>
2260	Long term liabilities	Long term debt and unrealized loss on swap	226000 Current Portion of Long Term Debt	(1,059,933)					(1,059,933)
			<b>Long-term debt due within one year</b>	(1,059,933)					<b>(1,059,933)</b>
			<b>Total current liabilities</b>	(8,923,691)					<b>(8,925,689)</b>
2306	Long term liabilities	Post Retirement Benefits	230600 Employee Future Benefits	(398,965)					(398,965)
			<b>Post-employment benefits</b>	(398,965)					<b>(398,965)</b>
2350	Long term liabilities	Future Income Tax Asset/Liability	156400 Future Income Tax Asset/Liability	(1,821,000)			586,000		(1,235,000)
			<b>Deferred tax liabilities</b>	(1,821,000)					<b>(1,235,000)</b>
			199500 Contributions and Grants Credit Poles Tower Fixt			(718,213)			(718,213)

			210520 Accumulated Amortization - Contr Capital O/H Lines			16,722		16,722
2425	Long term liabilities	Long term customer deposits	242010 Revenue Guarantee - Down Payments	(1,090,106)		3,907		(1,086,199)
			<b>Deferred revenue</b>	(1,090,106)				<b>(1,787,690)</b>
2520	Long term liabilities	Long term debt	222500 Notes and Loans Payable Shareholders	(5,260,461)				(5,260,461)
2520	Long term liabilities	Long term debt	252000 Term Loans Long Term Portion *	(13,222,943)				(13,222,943)
			Unrealized loss on interest rate swap	1,636,347				1,636,347
			*Includes unrealized loss on interest rate swap					
			<b>LONG-TERM DEBT</b>	(16,847,057)				<b>(16,847,057)</b>
2520	Long term liabilities	Unrealized loss on interest rate swap	Unrealized loss on interest rate swap	(1,636,347)				<b>(1,636,347)</b>
			<b>Unrealized loss on interest rate swap</b>	(1,636,347)				<b>(1,636,347)</b>
			Included in 252000 Term Loans Long Term Portion on T/B					
			<b>Total non-current liabilities</b>					<b>(21,905,059)</b>
			<b>Total liabilities</b>					<b>(30,830,748)</b>
3005	Equity	Share Capital	300500 Common Shares Issued	(18,269,168)				(18,269,168)
			<b>Share capital</b>	(18,269,168)				<b>(18,269,168)</b>
3040	Equity	Other Comprehensive Income	304000 Other Comprehensive Income	29,425				29,425
			<b>Accumulated other comprehensive income (loss)</b>	29,425				<b>29,425</b>
3045	Equity	Retained Earnings	304500 Unappropriated Retained Earnings	(16,385,580)				(16,385,580)
	Equity	Dividends Paid	304900 Dividends PayableCommon Shares	6,390,775				6,390,775
			Net Income	(1,908,575)				(1,908,575)
			<b>Retained earnings</b>	(11,903,380)				<b>(11,903,380)</b>
			<b>Total Equity</b>	(30,143,123)				<b>(30,143,123)</b>
			<b>Total liabilities and equity</b>	(60,860,289)		<b>(699,582)</b>		<b>(60,973,871)</b>
			<b>Regulatory balances</b>				(8,486,074)	<b>(8,486,075)</b>

			<b>Total liabilities, equity and regulatory balances</b>						<b>(69,459,946)</b>
<b>Trial Balance - Income Statement Grouping</b>									
Account	I/S Section	Line Grouping	GL Account Description						
4006	Revenue	Electricity, market related revenue	400620 Residential Energy Sales Power Revenue KWH	2,961			250	3,211	
4006	Revenue	Electricity, market related revenue	400621 Residential Energy Sales Power on-Peak	(5,245,216)			(442,733)	(5,687,949)	
4006	Revenue	Electricity, market related revenue	400622 Residential Energy Sales Power mid-Peak	(3,878,173)			(327,345)	(4,205,518)	
4006	Revenue	Electricity, market related revenue	400623 Residential Energy Sales Power off-Peak	(9,369,140)			(790,820)	(10,159,961)	
4006	Revenue	Electricity, market related revenue	400650 Global Adjustment	(14,735,976)			(1,243,819)	(15,979,795)	
4010	Revenue	Electricity, market related revenue	401020 Commercial Energy Sales Power Revenue KWH	(3,639)			(307)	(3,946)	
4010	Revenue	Electricity, market related revenue	401021 Commercial Energy Sales Power on-Peak	(1,731,129)			(146,119)	(1,877,248)	
4010	Revenue	Electricity, market related revenue	401022 Commercial Energy Sales Power mid-Peak	(1,266,575)			(106,908)	(1,373,483)	
4010	Revenue	Electricity, market related revenue	401023 Commercial Energy Sales Power off-Peak	(2,274,445)			(191,979)	(2,466,424)	
4025	Revenue	Electricity, market related revenue	402520 Street Lighting Energy Sales Power Revenue KW	(21,615)			(1,824)	(23,440)	
4030	Revenue	Electricity, market related revenue	403020 Sentinel Lighting Energy Sales Power Revenue KW	167			14	182	
4035	Revenue	Electricity, market related revenue	401220 Scattered Load Power Recovered KWH	(23,800)			(2,009)	(25,809)	
4035	Revenue	Electricity, market related revenue	403520 General Energy Sales Power Revenue KWH	(1,711,699)			(144,479)	(1,856,179)	
4035	Revenue	Electricity, market related revenue	403540 Gen Serv Energy Power >50KW >150000KWH	(914,441)			(77,185)	(991,627)	
4055	Revenue	Electricity, market related revenue	405560 Energy Sales for Retailers ( Mkt Cost of Energy)	(3,037,404)			(256,378)	(3,293,782)	
4062	Revenue	Electricity, market related revenue	406200 Billed WMS	(1,689,331)			(142,591)	(1,831,922)	
4066	Revenue	Electricity, market related revenue	406600 Billed NW	(2,720,046)			(229,591)	(2,949,637)	
4068	Revenue	Electricity, market related revenue	406800 Billed CN	(1,736,324)			(146,558)	(1,882,882)	
4075	Revenue	Electricity, market related revenue	407500 Billed LV	(719,846)			(60,760)	(780,606)	
4076	Revenue	Distribution revenue	407600 - Billed SMECharges-RES	(189,040)			(15,956)	(204,996)	
4076	Revenue	Distribution revenue	407601 - Billed SMECharges-GS<50	(23,521)			(1,985)	(25,506)	

			<b>sale of energy</b>	(51,288,235)				<b>(4,329,083)</b>	<b>(55,617,317)</b>
4080	Revenue	Distribution revenue	400600 Residential Sales Distribution Fixed Charge	(3,060,756)					(3,060,756)
4080	Revenue	Distribution revenue	400610 Residential Sales Distribution Volumetric	(2,914,596)					(2,914,596)
4080	Revenue	Distribution revenue	401000 Comm Distribution Tariff Fixed Charge	(737,093)					(737,093)
4080	Revenue	Distribution revenue	401010 Commercial Sales Distribution Volumetric Charge	(705,178)					(705,178)
4080	Revenue	Distribution revenue	401200 Scattered Load Distribution Fixed Charge	(4,204)					(4,204)
4080	Revenue	Distribution revenue	401210 Scattered Load Distribution Volumetric Chge	(6,619)					(6,619)
4080	Revenue	Distribution revenue	402500 Street Lighting Sales Distribution Fixed Charge	(427,353)					(427,353)
4080	Revenue	Distribution revenue	402510 Street Lighting Sales Volumetric	(42,142)					(42,142)
4080	Revenue	Distribution revenue	403000 Sentinel Lighting Distribution Fixed Charge	(532)					(532)
4080	Revenue	Distribution revenue	403010 Sentinel Lighting Sales Volumetric	(476)					(476)
4080	Revenue	Distribution revenue	408001 Distribution Services Revenue - Transformer Allowa	86,548					86,548
4080	Revenue	Distribution revenue	403500 General Sales Distribution Tariff Fixed Charge	(628,268)					(628,268)
4080	Revenue	Distribution revenue	403510 General Sales Distribution Volumetric Charge	(1,004,388)					(1,004,388)
4050	Revenue	Distribution revenue	405013 2013 HST Disposition	13,389					13,389
4050	Revenue	Distribution revenue	405073 IRM Disposal and Recovery of GA - RES	(246)					(246)
4050	Revenue	Distribution revenue	405074 IRM Disposal and Recovery of GA - RES	(556)					(556)
4050	Revenue	Distribution revenue	405077 IRM Disposal and Recovery of GA - RES	(0)					(0)
4080	Revenue	Distribution revenue	408021 - Smart Meter DR - Residential	(45,478)				4,170	(41,309)
4080	Revenue	Distribution revenue	408022 - Smart Meter DR - GS<50	(62,552)				5,735	(56,817)
4080	Revenue	Distribution revenue	408023 - Smart Meter DR - GS>50	(4,283)				393	(3,890)
4080	Revenue	Distribution revenue	408000 Distribution Services Revenue - SS Admin Residential	(65,189)					(65,189)
			<b>Distribution revenue</b>	(9,609,969)				10,297	<b>(9,599,672)</b>
4080	Revenue	Retail services	408208 Retail Services Rev.- Standard Service	(100)					(100)
4082	Revenue	Retail services	408210 Monthly Fixed Retail Charge	(4,540)					(4,540)
4082	Revenue	Retail services	408212 Monthly Var Serv Charge	(2,989)					(2,989)

4082	Revenue	Retail services	408218 Retail Services Rev.- Bill Ready Service Charge	(3,245)					(3,245)
4082	Revenue	Retail services	408400 STR Revenues - Request Fee	(135)					(135)
4084	Revenue	Retail services	408410 STR Revenues - Processing Fee	(212)					(212)
4084	Revenue	Retail services	408420 STR Rev's - Informat	(15)					(15)
4084	Revenue	Retail services	422530 Revenue Collection Charges	(125,655)					(125,655)
4210	Revenue	Rental of electric property	421000 Rent from Electric Property	(105,257)					(105,257)
4225	Revenue	Late payment charges	422500 Late Payment Charges	(78,522)					(78,522)
4220	Revenue	Other revenue	424510 Amort of Cont. Capit	(8,361)					(8,361)
4220	Revenue	Other revenue	422520 Revenue NSF Charges	(1,905)					(1,905)
4220	Revenue	Other revenue	422540 Revenue Reconnect Charges	(8,748)					(8,748)
4220	Revenue	Other revenue	422570 Revenue Arrears Certificates	(105)					(105)
4220	Revenue	Other revenue	422580 Revenue Change of Occupancy	(75,000)					(75,000)
4235	Revenue	Other revenue	423500 Miscellaneous Service Revenues	(810)					(810)
4235	Revenue	Other revenue	423510 Misc Revenues - Statement of Account	(1,155)					(1,155)
4235	Revenue	Other revenue	423530 Misc Revenues - IT Letter	(105)					(105)
4235	Revenue	Other revenue	423540 Misc Revenues - Credit Reference	(600)					(600)
4235	Revenue	Other revenue	423565 Collection of Account/No Disconnection	(4,230)					(4,230)
4235	Revenue	Other revenue	423590 Misc Service Revenue - microFIT service charge	(4,017)					(4,017)
4325	Revenue	Other revenue	432500 Revenues from Jobbing, Merchandising, Etc.	(49,904)					(49,904)
4325	Revenue	Other revenue	432510 Revenues from Job Orders	(21,903)					(21,903)
4325	Revenue	Other revenue	432570 IFRS Rev/GAAPContCap	(19,301)					(19,301)
4330	Revenue	Other revenue	506510 Consumption - Poles/Towers/Fixtures	2,018					2,018
4330	Revenue	Other revenue	506520 Consumption - OH Conductors and Devices	6,111					6,111
4330	Revenue	Other revenue	506525 Consumption - UG Conductors and Devices	1,060					1,060
4330	Revenue	Other revenue	506530 Consumption - UG Conductors	562					562
4330	Revenue	Other revenue	506560 Consumption - UG Transformers	-					-
4330	Revenue	Other revenue	506580 Consumption - Wire OH	695					695
4330	Revenue	Other revenue	506590 Consumption - Wire UG	6,101					6,101
4330	Revenue	Other revenue	506591 Scrap Inventory Acct	(36,795)					(36,795)
4330	Revenue	Other revenue	506608 Consumption Non Stock Material - Meters	227					227



4330	Revenue	Other revenue	506611 Consumption Non Stock Material - S. Meters	1,104					1,104
4330	Revenue	Other revenue	508700 Contracted Services	5,143					5,143
4330	Revenue	Other revenue	508701 Contracted Services Cond OH	763					763
4330	Revenue	Other revenue	508708 Contracted Services - Meters	7,366					7,366
4330	Revenue	Other revenue	508711 Contracted Services - Smart M	386					386
4330	Revenue	Other revenue	508799 Consumption Non Stock Material - EX. Ser. Cap Plan	30,149					30,149
4355	Revenue	Other revenue	435500 Gain on Dsposition of Utility and Other Property	(13,321)					(13,321)
4360	Revenue	Other revenue	436010 Loss on Disposition IFRS	813					813
4375	Revenue	Other revenue	437500 Revenues from Non-Utility Operations	(155,226)					(155,226)
4390	Revenue	Other revenue	439000 Miscellaneous Non-Operating Income	(10,720)		(324)			(11,044)
			account totals from above	(670,379)					<b>(670,703)</b>
4405	Revenue	Other revenue	440500 Interest and Dividend Income	(32,673)					(32,673)
4405	Revenue	Other revenue	440510 Interest Regulatory Assets	(32,965)					(32,965)
			<b>Finance income</b>	(65,638)					<b>(65,638)</b>
4705	Expense	Electricity, market related expense	470500 Power Purchased	30,350,507				1,387,406	31,737,913
4705	Expense	Electricity, market related expense	470510 Fixed Energy Rate Settlement Amount Code 140	(876,356)				(40,061)	(916,416)
4705	Expense	Electricity, market related expense	470515 Power Purchased - Global Adjustment	14,735,976				673,622	15,409,598
4708	Expense	Electricity, market related expense	470800 Charges-WMS	1,689,331				77,224	1,766,555
4714	Expense	Electricity, market related expense	471400 Charges-NW	2,720,046				124,341	2,844,387
4716	Expense	Electricity, market related expense	471600 Charges-CN	1,736,324				79,372	1,815,696
4750	Expense	Electricity, market related expense	475000 Charges - LV	719,846				32,906	752,752
4751	Expense	Electricity, market related expense	475100 Charges - SME	212,561				9,717	222,277
			<b>Cost of power</b>	51,288,234				2,344,528	<b>53,632,762</b>
5010	Expense	Distribution, operation and maintenance	715010 Settlement - Load Dispatching	(50)			(50)		
5016	Expense	Distribution, operation and maintenance	715016 Settlement - Distribution Station Equipment	240			240		
5020	Expense	Distribution, operation and maintenance	715020 Setl OH Dis Li&Feed-	6,411			0		

5020	Expense	Distribution, operation and maintenance			6,411				
5035	Expense	Distribution, operation and maintenance	715035 Settlement - OH Distribution Transformers	6,411			0		
5035	Expense	Distribution, operation and maintenance			6,411				
5040	Expense	Distribution, operation and maintenance	715040 Settlement UG Distribution Lines and Feeders	197,908			2		
5040	Expense	Distribution, operation and maintenance			191,445				
5040	Expense	Distribution, operation and maintenance			6,461				
5065	Expense	Distribution, operation and maintenance	506500 Meter Expense	3,348			3,348		
5065	Expense	Distribution, operation and maintenance	715065 Settlement Meter Expense	41,364			1		
5065	Expense	Distribution, operation and maintenance			40,892				
5065	Expense	Distribution, operation and maintenance			472				
5085	Expense	Distribution, operation and maintenance	508500 Miscellaneous Distribution Expense				-		
5085	Expense	Distribution, operation and maintenance	715085 Settlement Misc Distribution Expense	8,500			-		
5085	Expense	Distribution, operation and maintenance	715085 Settlement Misc Distribution Expense		8,500				
5110	Expense	Distribution, operation and maintenance	715110 Settlement Maintenance Buildings and Fixtures	14,261			0		
5110	Expense	Distribution, operation and maintenance	715110 Settlement Maintenance Buildings and Fixtures		14,261				
5114	Expense	Distribution, operation and maintenance	715114 Settlement Mtce of Distribution Stations	163,068			0		
5114	Expense	Distribution, operation and maintenance	715114 Settlement Mtce of Distribution Stations		163,068				
5120	Expense	Distribution, operation and maintenance	512000 Maintenance of Poles, Towers and Fixtures	-			-		
5120	Expense	Distribution, operation and maintenance	715120 Settlement Mtce of Poles, Towers and Fixtures	159,739			-		
5120	Expense	Distribution, operation and maintenance	715120 Settlement Mtce of Poles, Towers and Fixtures		159,739				
5125	Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices	247,107			0		
5125	Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices		247,107				
5125	Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices						

5130	Expense	Distribution, operation and maintenance	715130 Settlement Mtce of OH Services	105,238			0		
5130	Expense	Distribution, operation and maintenance	715130 Settlement Mtce of OH Services		105,238				
5135	Expense	Distribution, operation and maintenance	715135 Settlement OH Distribution Lines and Feeders	212,776			1		
5135	Expense	Distribution, operation and maintenance	715135 Settlement OH Distribution Lines and Feeders		212,775				
5145	Expense	Distribution, operation and maintenance	715145 Settlement Mtce of UG Conduit	989			0		
5145	Expense	Distribution, operation and maintenance	715145 Settlement Mtce of UG Conduit		989				
5150	Expense	Distribution, operation and maintenance	715150 Settlement Mtce of Underground Conductors and Devices	42,515			19,131		
5150	Expense	Distribution, operation and maintenance	715150 Settlement Mtce of Underground Conductors and Devices		23,383				
5155	Expense	Distribution, operation and maintenance	715155 Settlement Mtce of UG Services	150,524			131,392		
5155	Expense	Distribution, operation and maintenance	715155 Settlement Mtce of UG Services		19,132				
5160	Expense	Distribution, operation and maintenance	516000 Maintenance of Line Transformers O/H	551			551		
5160	Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers	175,977			1		
5160	Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers		67,467				
5160	Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers		108,509				
5175	Expense	Distribution, operation and maintenance	715175 Settlement Maintenance of Meters	56,104			75		
5175	Expense	Distribution, operation and maintenance	715175 Settlement Maintenance of Meters		56,029				
5175	Expense	Distribution, operation and maintenance	517500 Maintenance of Meters	354			354		
5175	Expense	Distribution, operation and maintenance	517510 Maintenance of Meters - Wholesale	52,141			52,141		
5705	Expense	Amortization	570550 Truck Amortization Exp -IFRS	131,380			131,380		
5310	Expense	Billing and collecting	531000 Meter Reading Expense	80,552			80,552		
5310	Expense	Billing and collecting	715310 Settlement Meter Reading Expense	148,935			140,580		
5310	Expense	Billing and collecting	715310 Settlement Meter Reading Expense		8,355				
5310	Expense	Billing and collecting	715310 Settlement Meter Reading Expense		-				
5315	Expense	Billing and collecting	531500 Customer Billing	442			442		
5315	Expense	Billing and collecting	715315 Settlement Customer Billing	432,268			303,830		

5315	Expense	Billing and collecting	715315 Settlement Customer Billing		5,858				
5315	Expense	Billing and collecting	715315 Settlement Customer Billing		6,958				
5315	Expense	Billing and collecting	715315 Settlement Customer Billing		2,692				
5315	Expense	Billing and collecting	715315 Settlement Customer Billing		259				
5315	Expense	Billing and collecting	715315 Settlement Customer Billing		112,671				
5315	Expense	Billing and collecting	531510 Non STR Services Expense	10,874			10,874		
5315	Expense	Billing and collecting	531560 STR Services Expense	362			362		
5320	Expense	Billing and collecting	532000 Collecting	75			75		
5320	Expense	Billing and collecting	715320 Settlement Collecting	331,061			99,476		
5320	Expense	Billing and collecting	715320 Settlement Collecting		194,874				
5320	Expense	Billing and collecting	715320 Settlement Collecting		-				
5320	Expense	Billing and collecting	715320 Settlement Collecting		9,628				
5320	Expense	Billing and collecting	715320 Settlement Collecting		795				
5320	Expense	Billing and collecting	715320 Settlement Collecting		15,431				
5320	Expense	Billing and collecting	715320 Settlement Collecting		10,857				
5330	Expense	Billing and collecting	533000 Collection Charges	16,971			16,971		
5335	Expense	Billing and collecting	533500 Bad Debt Expense	92,475		(92,475)	-		
5415	Expense	Billing and collecting	541500 Energy Conservation	(84,244)			(84,244)		
5415	Expense	Billing and collecting	715415 Sett Energy Conserva	84,244			84,244		
5410	Expense	Community relations and donations	541000 Community Relations - Sundry	20,931			20,931		
5410	Expense	Community relations and donations	715410 Settlement Relations - Sundry	1,834			1,834		
5420	Expense	Community relations and donations	715420 Settlnent Community Safety	4,766			4,766		
5425	Expense	Community relations and donations	542500 Miscellaneous Customer Service and Informational E	6,867			6,867		
6205	Expense	Community relations and donations	620500 Donations	29,329			29,329		
4362	Revenue	Other revenue	436200 Loss Ret Utility & O	201,444			201,444		
5105	Expense	Distribution, operation and maintenance	510500 Maint. Supervision a	17,479	17,479				
5305	Expense	Billing and collecting	530500 Supervision	17,479	17,479				
5105	Expense	Administration	566500 Miscellaneous General Expenses	173,670			173,670		
5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses	601,930			9,954		
5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses		44,107				
5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses		3,280				

5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses		22,796				
5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses		521,793				
5610	Expense	Administration	561000 Management Salaries and Expenses	5,688			5,688		
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses	184,908			7,875		
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses		29,912				
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses		123,902				
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses		14,855				
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses		1,224				
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses		7,140				
5615	Expense	Administration	561500 General Administrative Salaries and Expenses	(28,191)			(28,191)		
5615	Expense	Administration	715615 Settlement General Admin Salaries	351,156			67,795		
5615	Expense	Administration	715615 Settlement General Admin Salaries		28,598				
5615	Expense	Administration	715615 Settlement General Admin Salaries		14,183				
5615	Expense	Administration	715615 Settlement General Admin Salaries		14,045				
5615	Expense	Administration	715615 Settlement General Admin Salaries		220,628				
5615	Expense	Administration	715615 Settlement General Admin Salaries		1,109				
5615	Expense	Administration	715615 Settlement General Admin Salaries		4,798				
5615	Expense	Administration	561510 General Administraion Meal & Entertainment	1,848			1,848		
5620	Expense	Administration	562000 Office Supplies and Expenses	67,213		(14,881)	52,332		
5620	Expense	Administration	562010 Computer Maintenance Software	332,718			332,718		
5620	Expense	Administration	562020 Computer Maintenance Hardware	26,455			26,455		
5620	Expense	Administration	562050 Communication Expense	81,785			81,785		
5630	Expense	Administration	563000 Outside Services Employed - Accountant	48,800			48,800		
5630	Expense	Administration	563010 Outside Services Employed - Legal	25,346			25,346		
5630	Expense	Administration	563020 Outside Services Employed - Consultants	119,350			119,350		

5635	Expense	Administration	563500 Insurance - Property/Liability	95,965			95,964		
5655	Expense	Administration	565500 Regulatory Expenses	115,450			115,450		
5660	Expense	Administration	566000 General Advertising Expenses	14,286			14,286		
5675	Expense	Repairs and maintenance of general plant	567500 Maintenance of General Plant - Office and Service	1,820			1,820		
5675	Expense	Repairs and maintenance of general plant	715675 Settlement Mtce of General Plant	88,718			88,718		
6105	Expense	Municipal taxes	610500 Taxes Other Than Income Taxes	34,605			34,605		
			Employee salaries and benefits	5,534,520	2,893,993				<b>2,893,993</b>
			Operating expenses				2,533,170		<b>2,533,170</b>
5705	Expense	Amortization	570540 Amortization Exp. IFRS	1,522,584		324			<b>1,522,908</b>
			<b>Amortization</b>						
6005	Expense	Interest on long term debt	<b>Unrealized loss on interest rate swap</b>			174,330			<b>174,330</b>
5615	Expense	Interest on long term debt	600500 Interest on Long Term Debt	1,093,151		(174,330)			918,821
5335	Expense	Administration	562000 Office Supplies and Expenses			14,881			14,881
6035	Expense	Billing and collecting	Bad Debt Expense			92,475			92,475
6035	Expense	Other interest	603500 Other Interest Expense	58,925					58,925
6035	Expense	Other interest	603501 Security Deposit Interest Expense	2,230					2,230
			<b>Finance costs</b>	1,154,307					<b>1,087,332</b>
6110	Expense	Income tax - current	611000 Corporate Taxes	308,000					308,000
6115	Expense	Income tax - future	611500 Future Income Tax	(82,000)				347,000	265,000
			<b>Income tax expense</b>	226,000					<b>573,000</b>
			<b>Net movement in Regulatory Assets</b>					1,627,258	<b>1,627,258</b>
			<b>Net income for the year and net movement in regulatory balances</b>	(1,908,576)		-			<b>(1,908,576)</b>

**Westario Power  
Inc.**

**2014**

Audited F/S

**Trial Balance - Balance Sheet Grouping**

Amounts

Account	B/S Section	Line Grouping	GL Account Description	December 31, 2014
1005	Current Assets	Cash	100500 Cash	3,792,712.03
1005	Current Assets	Cash	100510 Cash Advances Petty Cash	500.00
1005	Current Assets	Cash	100550 Deposit Clearing Account	-490.85
1005	Current Assets	Cash	100551 Cheque Clearing Account	-187,925.79
1040	Current Assets	Cash	104000 Other Special Deposits Retailers	400,469.30
			<b>CASH</b>	<b>4,005,264.69</b>
1100	Current Assets	Accounts Receivable	110000 Collective Energy A/c Rec	4,183,490.70
1100	Current Assets	Accounts Receivable	110020 Customer Accounts Receivable Residential Energy	0.00
1102	Current Assets	Accounts Receivable	110070 Accounts Receivable Retailers	133,413.41
1102	Current Assets	Accounts Receivable	110200 Accounts Receivable Services	42,633.01
1104	Current Assets	Accounts Receivable	110400 Accounts Receivable Recoverable Work	149,835.67
1105	Current Assets	Accounts Receivable	110500 Accounts Receivable - Miscellaneous	136,008.31
1105	Current Assets	Accounts Receivable	111014 Retailer Clearing Account (Distributor Consol)	24,698.22
1130	Current Assets	Accounts Receivable	113000 Accumulated Provision for Uncollectible AccountsCr	-376,200.00
1190	Current Assets	Accounts Receivable	119000 Miscellaneous Current and Accrued Assets	535,654.64
			<b>ACCOUNTS RECEIVABLE</b>	<b>4,829,533.96</b>
2294	Current Assets	Income Taxes Recoverable	229400 Accrual for Taxes - Corporate Taxes Payable	0.00
			<b>INCOME TAXES RECOVERABLE</b>	<b>0.00</b>
1120	Current Assets	Accrued Unbilled Revenue	112000 Accrued Utility Revenues	6,100,310.21
			<b>ACCRUED UNBILLED REVENUE</b>	<b>6,100,310.21</b>
1330	Current Assets	Inventory	133000 Plant Materials and Operating Supplies	659,246.99
1330	Current Assets	Inventory	133099 Inventory Adjustment Account - Major Spare Parts	-580,137.35

			<b>INVENTORY</b>	<b>79,109.64</b>
1180	Current Assets	Prepaid Expenses	118000 Prepayments	262,224.82
			<b>PREPAID EXPENSES</b>	<b>262,224.82</b>
1070	Non-current Asset	Investment in Equities	107000 Current Investments	28,086.40
			<b>INVESTMENT IN EQUITIES</b>	<b>28,086.40</b>
1606	Capital Asset	Property, Plant & Equipment	160600 Organizational Costs	211,502.82
1805	Capital Asset	Property, Plant & Equipment	180500 Land	227,768.86
1808	Capital Asset	Property, Plant & Equipment	180800 Buildings and Fixtures	2,533,838.22
1820	Capital Asset	Property, Plant & Equipment	182000 Distribution Station Equipment Normally Primary b	6,021,443.60
1830	Capital Asset	Property, Plant & Equipment	183000 Poles, Towers and Fixtures	8,996,728.71
1835	Capital Asset	Property, Plant & Equipment	183500 Overhead Conductors and Devices	12,345,209.95
1840	Capital Asset	Property, Plant & Equipment	184000 Underground Conduit	3,287,481.36
1845	Capital Asset	Property, Plant & Equipment	184500 Underground Conductors and Devices	10,126,756.49
1850	Capital Asset	Property, Plant & Equipment	185000 Line Transformers Overhead	8,863,894.78
1855	Capital Asset	Property, Plant & Equipment	185500 Services Overhead	5,212,858.12
1860	Capital Asset	Property, Plant & Equipment	186000 Meters	5,878,010.93
1865	Capital Asset	Property, Plant & Equipment	186500 Other Installations on Customer#s Premises	1,634.63
1330	Capital Asset	Property, Plant & Equipment	189999 Major Spare Parts Inventory	580,137.35
1915	Capital Asset	Property, Plant & Equipment	191500 Office Furniture and Equipment	272,356.15
1920	Capital Asset	Property, Plant & Equipment	192000 Computer Equipment Hardware	576,195.56
1925	Capital Asset	Property, Plant & Equipment	192500 Computer Software	1,351,485.02



1930	Capital Asset	Property, Plant & Equipment	193000 Transportation Equipment	2,621,400.84
1935	Capital Asset	Property, Plant & Equipment	193500 Stores Equipment	86,857.71
1940	Capital Asset	Property, Plant & Equipment	194000 Tools, Shop and Garage Equipment	413,090.91
1945	Capital Asset	Property, Plant & Equipment	194500 Measurement and Testing Equipment	80,686.10
1950	Capital Asset	Property, Plant & Equipment	195000 Power Operated Equipment	89,271.96
1955	Capital Asset	Property, Plant & Equipment	195500 Communication Equipment	176,718.24
1960	Capital Asset	Property, Plant & Equipment	196000 Miscellaneous Equipment	104,512.91
1975	Capital Asset	Property, Plant & Equipment	197500 Load Management Controls Utility Premises	258,630.50
1985	Capital Asset	Property, Plant & Equipment	198500 Sentinel Lighting Rental Units	1,426.68
1995	Capital Asset	Property, Plant & Equipment	199500 Contributions and Grants Credit Poles Tower Fixt	(9,727,880.62)
2055	Capital Asset	Property, Plant & Equipment	205500 Construction Work in ProgressElectric	312,233.01
2105	Capital Asset	Property, Plant & Equipment	210500 Accum Amort Electric Plant - Distr Stn Equip	(2,180,138.87)
2105	Capital Asset	Property, Plant & Equipment	210501 Accumulated Amortization - Bldgs & Equipment	(356,024.16)
2105	Capital Asset	Property, Plant & Equipment	210502 Accumulated Amortization - Poles	(2,754,376.21)
2105	Capital Asset	Property, Plant & Equipment	210503 Accumulated Amortization - O/H Conductors	(3,868,675.00)
2105	Capital Asset	Property, Plant & Equipment	210504 Accumulated Amortization - U/G Conductors	(3,267,305.94)
2105	Capital Asset	Property, Plant & Equipment	210505 Accumulated Amortization - U/G Conduit	(1,084,775.42)
2105	Capital Asset	Property, Plant & Equipment	210506 Accumulated Amortization - O/H Transformers	(3,317,518.46)
2105	Capital Asset	Property, Plant & Equipment	210508 Accumulated Amortization - O/H Services	(1,591,552.85)
2105	Capital Asset	Property, Plant & Equipment	210510 Accumulated Amortization - Meters	(1,705,791.26)

2105	Capital Asset	Property, Plant & Equipment	210511 Accumulated Amortization - Load Mgmt Controls	(258,630.50)
1606	Capital Asset	Property, Plant & Equipment	210512 Accumulated Amortization - Organizational Costs	-211,502.82
2105	Capital Asset	Property, Plant & Equipment	210520 Accumulated Amortization - Contr Capital O/H Lines	2,208,650.4 4
2105	Capital Asset	Property, Plant & Equipment	218000 Accum. Amortization - Office Equipment	(191,682.93)
2105	Capital Asset	Property, Plant & Equipment	218001 Accum. Amortization - Computer Hardware	(544,018.07)
2105	Capital Asset	Property, Plant & Equipment	218002 Accum. Amortization - Computer Software	(1,126,734.9 1)
2105	Capital Asset	Property, Plant & Equipment	218003 Accum. Amortization - Rolling Stock	(1,400,415.4 6)
2105	Capital Asset	Property, Plant & Equipment	218005 Accum. Amortization - Stores Equipment	(49,988.36)
2105	Capital Asset	Property, Plant & Equipment	218006 Accum. Amortization - Tools & Garage	(244,215.43)
2105	Capital Asset	Property, Plant & Equipment	218007 Accum. Amortization - Measurement Equipment	(57,103.53)
2105	Capital Asset	Property, Plant & Equipment	218008 Accumu. Amortization - Power Operated Equip	(60,487.02)
2105	Capital Asset	Property, Plant & Equipment	218009 Accum. Amortization - Communication Equip	(133,602.63)
2105	Capital Asset	Property, Plant & Equipment	218010 Accum. Amortization - Misc Equipment	(45,557.46)
2105	Capital Asset	Property, Plant & Equipment	218011 Accum. Amortization - Sentinel Lights	(1,426.68)
<b>PROPERTY, PLANT AND EQUIPMENT</b>				<b>38,661,377. 26</b>
1508	Long term asset	Regulatory Assets	150830 Other Reg Assets - Deferred IFRS Transition Costs	68,169.99
1508	Long term asset	Regulatory Assets	150832 Other Reg Asset-Deferred IFRS Transition Costs-Int	2,127.30
1508	Long term asset	Regulatory Assets	150840 Other Reg Assets - Incremental Capital Charges	0.00
1508	Long term asset	Regulatory Assets	150842 Other Reg Assets-Incremental Capital Charges - Int	0.00
1518	Long term asset	Regulatory Assets	151800 RCVARetail	-24,378.72
1518	Long term asset	Regulatory Assets	151810 RCVA Retail - Interest	-546.73
1532	Long term asset	Regulatory Assets	153200 Renewable Connection OM&A Deferral Account	1,974.00
1532	Long term asset	Regulatory Assets	153210 Renewable Connection OM&A Deferral Account-Interes	62.62

1548	Long term asset	Regulatory Assets	154800 RCVASTR (Request Fee)	43,889.34
1548	Long term asset	Regulatory Assets	154810 RCVA - STR - Interest	1,217.78
1551	Long term asset	Regulatory Assets	155101 Smart Meter Entity Charge Variance - Residential	8,553.37
1551	Long term asset	Regulatory Assets	155102 Smart Meter Entity Charge Variance - GS<50	1,037.06
1551	Long term asset	Regulatory Assets	155101 Smart Meter Entity Charge Variance - Carry Chg	332.91
1555	Long term asset	Regulatory Assets	155500 Smart Meter Capital and Recovery Offset Variance	0.00
1555	Long term asset	Regulatory Assets	155510 Smart Meter Carrying Charges	0.00
1555	Long term asset	Regulatory Assets	155523 Stranded Assets - Recovery	-522,867.47
1555	Long term asset	Regulatory Assets	155524 Stranded Assets - Carry Chg	8,110.96
1555	Long term asset	Regulatory Assets	155525 Stranded Assets - Residential Meters	850,316.55
1555	Long term asset	Regulatory Assets	155526 SM Stranded Assets - Res Meter - Acc Amort	-426,162.55
1555	Long term asset	Regulatory Assets	155527 SM Stranded Asset-Meter-GS<50	478,101.38
1555	Long term asset	Regulatory Assets	155528 SM Stranded Asset-Meter-GS<50 - Accum Amort	-293,846.38
1555	Long term asset	Regulatory Assets	155530 Smart Meter Operating Expense Offset - Revenues	0.00
1555	Long term asset	Regulatory Assets	155540 Smart Meter Capital Variance Account - Collectors	0.00
1555	Long term asset	Regulatory Assets	155541 Smart Meter Capital Var Acct - Collectors-Acc Amort	0.00
1555	Long term asset	Regulatory Assets	155542 Smart Meter Capital Variance Acct-Computer Hardwar	0.00
1555	Long term asset	Regulatory Assets	155543 Smart Meter Cap Var Acct-Computer Hardware-AccAmor	0.00
1555	Long term asset	Regulatory Assets	155544 Smart Meter Cap Variance Acct-Duplicate Meter Base	0.00
1555	Long term asset	Regulatory Assets	155545 SM Cap Variance Acct-Duplicate Meter Base-AccAmort	0.00
1555	Long term asset	Regulatory Assets	155546 Smart Meter Cap Variance Acct-Meter Base Repairs	0.00
1555	Long term asset	Regulatory Assets	155547 SM Cap Variance Acct-Meter Base Repairs-AccumAmort	0.00
1555	Long term asset	Regulatory Assets	155548 Smart Meter Cap Variance Acct-Smart Meter	0.00
1555	Long term asset	Regulatory Assets	155549 Smart Meter Cap Variance Acct-Smart Meter-AccAmort	0.00

1555	Long term asset	Regulatory Assets	155550 Smart Meter Capital Variance Account - Consulting	0.00
1555	Long term asset	Regulatory Assets	155551 Smart Meter Capital Variance Acct- Consulting-AccAm	0.00
1555	Long term asset	Regulatory Assets	155552 Smart Meter Capital Variance Account - Software	0.00
1555	Long term asset	Regulatory Assets	155553 Smart Meter Capital Variance Acct- Software-AccAmor	0.00
1556	Long term asset	Regulatory Assets	155600 Smart Meter OM&A Variance Account - Operating	0.00
1556	Long term asset	Regulatory Assets	155610 Smart Meter OM&A Variance Account - Maintenance	0.00
1556	Long term asset	Regulatory Assets	155620 Smart Meter OM&A Variance Account - Administration	0.00
1556	Long term asset	Regulatory Assets	155630 Smart Meter OM&A Variance Account - Amortization	0.00
1556	Long term asset	Regulatory Assets	155640 Smart Meter OM&A Carrying Charges	0.00
1565	Long term asset	Regulatory Assets	156500 Conservation and Demand Exp. and Recov.	-17,231.03
1566	Long term asset	Regulatory Assets	156600 Conservation and Demand Management Contra	17,231.03
1568	Long term asset	Regulatory Assets	156801 LRAM Variance Account - RES	12,980.00
1568	Long term asset	Regulatory Assets	156802 LRAM Variance Account - GS<50	31,934.00
1568	Long term asset	Regulatory Assets	156803 LRAM Variance Account - GS>50	1,101.00
1568	Long term asset	Regulatory Assets	156804 LRAM Variance Account - Carry Charge	0.00
1568	Long term asset	Regulatory Assets	156805 LRAM Variance Account - RES - Net Principal	(9,649.91)
1568	Long term asset	Regulatory Assets	156806 LRAM Variance Account - GS<50 - Net Principal	(19,001.61)
1568	Long term asset	Regulatory Assets	156807 LRAM Variance Account - GS>50 - Net Principal	(678.49)
1568	Long term asset	Regulatory Assets	156808 LRAM Variance Account - RES - Carrying Charge	449.96
1568	Long term asset	Regulatory Assets	156809 LRAM Variance Account - GS<50 - Carrying Charge	1,122.89
1568	Long term asset	Regulatory Assets	156810 LRAM Variance Account - GS>50 - Carrying Charge	38.57
1575	Long term asset	Regulatory Assets	157501 IFRS/CGAAP Transitional PP&E Amounts	-269,007.46
1580	Long term asset	Regulatory Assets	158000 RSVAWMS	(791,796.77)
1580	Long term asset	Regulatory Assets	158001 RSVA (WHS) Carrying charges	(35,423.61)

1582	Long term asset	Regulatory Assets	158200 RSVAONETIME	0.00
1582	Long term asset	Regulatory Assets	158201 RSVA ONETIME INTEREST	0.00
1584	Long term asset	Regulatory Assets	158400 RSVANW	(267,091.95)
1584	Long term asset	Regulatory Assets	158401 RSVA (NW) Carrying Charges	(1,980.50)
1550	Long term asset	Regulatory Assets	158500 RSVALV	920,452.61
1550	Long term asset	Regulatory Assets	158501 RSVA (LV) Carrying Charges	20,070.21
1586	Long term asset	Regulatory Assets	158600 RSVACN	2,229,425.85
1586	Long term asset	Regulatory Assets	158601 RSVA(CN) Carrying Charges	60,915.01
1588	Long term asset	Regulatory Assets	158800 RSVAPOWER	1,893,595.90
1588	Long term asset	Regulatory Assets	158801 RSVA (POWER) Carrying charges	18,346.68
1588	Long term asset	Regulatory Assets	158810 RSVA Power - Global Adjustment	(661,737.04)
1588	Long term asset	Regulatory Assets	158811 RSVA Global Adjustment (POWER) Carrying charges	(25,882.97)
1592	Long term asset	Regulatory Assets	159201 HST OVAT/ITC	110,668.58
1592	Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA	(122,917.00)
1592	Long term asset	Regulatory Assets	159201 HST OVAT/ITC - Carrying Charge	6,806.29
1592	Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA - Carrying Charge	(5,919.09)
1595	Long term asset	Regulatory Assets	159500 Dispo & Recov of Reg Bal Control Acct - Approved09	0.00
1595	Long term asset	Regulatory Assets	159502 Carrying Charges Trsf'd to Acct 1595 - Approved 09	0.00
1595	Long term asset	Regulatory Assets	159504 2010 Tax Sharing Refund from IRM3	0.00
1595	Long term asset	Regulatory Assets	159505 2010 Tax Sharing Refund from IRM3 Carrying Charge	0.00
1595	Long term asset	Regulatory Assets	159520 Recovery of Regulatory Assets - Res - Approved2009	0.00
1595	Long term asset	Regulatory Assets	159530 Recovery of Regulatory Assets - GS<50 kW-Approve09	0.00
1596	Long term asset	Regulatory Assets	159531 2013 DVA Disposition - Principal	2,037,483.37

1597	Long term asset	Regulatory Assets	159532 2013 DVA Disposition - Carry Charges	233,498.54
1598	Long term asset	Regulatory Assets	159533 2013 DVA Disposition - Net Principal	(1,806,542.07)
1599	Long term asset	Regulatory Assets	159534 2013 DVA Disposition - Carry Charges	32,168.28
1600	Long term asset	Regulatory Assets	159536 2013 DVA GA Disposition - Principal	600,993.00
1601	Long term asset	Regulatory Assets	159537 2013 DVA GA Disposition - Carry Charges	(481.00)
1602	Long term asset	Regulatory Assets	159538 2013 DVA GA Disposition - Net Principal	(494,622.52)
1603	Long term asset	Regulatory Assets	159539 2013 DVA GA Disposition - Carry Charges	8,321.01
1595	Long term asset	Regulatory Assets	159540 Recovery of Regulatory Assets-GS>50kW-Approved2009	0.00
1595	Long term asset	Regulatory Assets	159560 Recovery of Regulatory Assets-Scattered Load-App09	0.00
1595	Long term asset	Regulatory Assets	159561 2012 IRM Dispo & Recov of Reg Bal - Control Account	(637,044.77)
1595	Long term asset	Regulatory Assets	159562 2012 IRM Dispo & Recov of Reg Bal - Car Chg Control	(19,364.00)
1595	Long term asset	Regulatory Assets	159563 2012 IRM Dispo & Recov of Reg Bal - Residential	254,247.39
1595	Long term asset	Regulatory Assets	159564 2012 IRM Dispo & Recov of Reg Bal - GS<50	98,527.68
1595	Long term asset	Regulatory Assets	159565 2012 IRM Dispo & Recov of Reg Bal - GS>50	258,358.33
1595	Long term asset	Regulatory Assets	159566 2012 IRM Dispo & Recov of Reg Bal - USL	346.66
1595	Long term asset	Regulatory Assets	159567 2012 IRM Dispo & Recov of Reg Bal - Sentinel	22.81
1595	Long term asset	Regulatory Assets	159568 2012 IRM Dispo & Recov of Reg Bal - Street Lighting	11,571.70
1595	Long term asset	Regulatory Assets	159569 2012 IRM Dispo & Recov of Reg Bal - Car Chg	(4,785.05)
1595	Long term asset	Regulatory Assets	159570 Recovery of Regulatory Assets-SentinelLight-App 09	0.00
1595	Long term asset	Regulatory Assets	159571 2012 IRM Dispo & Recov of GA-Control(non-RPP only)	-39,916.00
1595	Long term asset	Regulatory Assets	159572 2012IRM Dispo & Recov GA-CarChg Control (non-RPP	-17,285.00
1595	Long term asset	Regulatory Assets	159573 2012 IRM Dispo & Recov of GA-Residen(non-RPP only)	3,234.00
1595	Long term asset	Regulatory Assets	159574 2012 IRM Dispo & Recov of GA- GS<50 (non-RPP only)	3,974.21
1595	Long term asset	Regulatory Assets	159575 2012 IRM Dispo & Recov of GA- GS>50 (non-RPP only)	41,387.56

1595	Long term asset	Regulatory Assets	159576 2012 IRM Dispo & Recov of GA- USL (non-RPP only)	17.03
1595	Long term asset	Regulatory Assets	159577 2012 IRM Dispo & Recov of GA- StrLght(non-RPP only)	2,140.42
1595	Long term asset	Regulatory Assets	159578 2012IRM Dispo & Recov GA-CarChg (non-RPP only)	-207.83
1595	Long term asset	Regulatory Assets	159580 Recovery of Regulatory Assets-Street Light-App 09	0.00
1595	Long term asset	Regulatory Assets	159581 Dispo & Recov of Reg Bal Control Acct - 2011 IRM	-877,976.91
1595	Long term asset	Regulatory Assets	159582 Carrying Charge Control Acct - 2011 IRM	1,587,333.77
1595	Long term asset	Regulatory Assets	159583 Recovery of Var Accounts - 2011 IRM - Residential	-299,814.31
1595	Long term asset	Regulatory Assets	159584 Recovery of Var Accounts - 2011 IRM - GS<50kW	-95,827.82
1595	Long term asset	Regulatory Assets	159585 Recovery of Var Accounts - 2011 IRM - GS>50kW	-234,841.54
1595	Long term asset	Regulatory Assets	159586 Recovery of Var Accounts - 2011 IRM - USL	-469.30
1595	Long term asset	Regulatory Assets	159587 Recovery of Var Accounts - 2011 IRM - Sentinel	-25.68
1595	Long term asset	Regulatory Assets	159588 Recovery of Var Accounts - 2011 IRM - Street Light	-6,632.51
1595	Long term asset	Regulatory Assets	159589 GA Adj Var Disposal Bal Control Acct - 2011 IRM	482,788.54
1595	Long term asset	Regulatory Assets	159590 Carrying Charge Global Adj Control Acct -2011 IRM	20,038.47
1595	Long term asset	Regulatory Assets	159591 Recovery of Global Adj Var - 2011 IRM -Residential	-39,428.19
1595	Long term asset	Regulatory Assets	159592 Recovery of Global Adj Var - 2011 IRM - GS<50kW	-32,123.01
1595	Long term asset	Regulatory Assets	159593 Recovery of Global Adj Var - 2011 IRM - GS>50kW	-403,988.09
1595	Long term asset	Regulatory Assets	159594 Recovery of Global Adj Var - 2011 IRM - USL	-156.37
1595	Long term asset	Regulatory Assets	159596 Recovery of Global Adj Var-2011 IRM- Street Lightin	-13,970.70
<b>REGULATORY ASSETS</b>				<b>3,943,862.66</b>
1460	Long term asset	Long term asset	146000 Other Non-current Assets	385,524.90
1460	Long term asset	Long term asset	146010 Other Non-current Assets - Accumulated Amortizatio	-103,507.78
<b>LONG-TERM ASSETS</b>				<b>282,017.12</b>

2405	Long term asset	Future Tax Regulatory Asset	240505 Future Tax Regulatory Asset	1,836,000.00
			<b>FUTURE TAX REGULATORY ASSET</b>	<b>1,836,000.00</b>
2060	Capital Asset	Goodwill	161000 Miscellaneous Intangible Plant	2,888,247.00
2140	Capital Asset	Goodwill	212000 Accumulated Amortization - Intangibles	-673,925.00
			<b>GOODWILL</b>	<b>2,214,322.00</b>
			<b>TOTAL ASSETS</b>	<b>62,242,108.76</b>
1102	Current Liabilities	Accounts Payable	111014 Retailer Clearing Account (Distributor Consol)	
1102	Current Liabilities	Accounts Payable	111018 Ontario Clean Energy Benefit rebate receivable	-3,972.00
2205	Current Liabilities	Accounts Payable	220500 Accounts Payable	(7,082,478.40)
2220	Current Liabilities	Accounts Payable	222000 Miscellaneous Current and Accrued Liabilities	(844,791.02)
2220	Current Liabilities	Accounts Payable	222010 OPA Deferred Revenue	0.00
2220	Current Liabilities	Accounts Payable	222073 CDM - Deferred Revenue - Residential	(100,596.57)
2220	Current Liabilities	Accounts Payable	222074 CDM - Deferred Revenue - Commercial	(35,649.89)
2220	Current Liabilities	Accounts Payable	222075 CDM - Deferred Revenue - Industrial	(46,974.64)
2220	Current Liabilities	Accounts Payable	222078 CDM - Deferred Revenue - 2015 to 2020	11,625.62
2220	Current Liabilities	Accounts Payable	222079 CDM - Deferred Revenue - Low Income	(4,693.11)
2250	Current Liabilities	Accounts Payable	225000 Debt Retirement Charges( DRC) Payable	1.43
2290	Current Liabilities	Accounts Payable	229020 Commodity Taxes gst	2,265.25
2290	Current Liabilities	Accounts Payable	229021 Commodity Taxes gst	0.00
2292	Current Liabilities	Accounts Payable	229210 Payroll Deductions / Expenses Payable CPP	467.25
2292	Current Liabilities	Accounts Payable	229230 Payroll Deductions / Expenses Payable Omers	0.00
2292	Current Liabilities	Accounts Payable	229240 Payroll Deductions / Expenses Payable Union Dues	0.03



2405	Current Liabilities	Accounts Payable	240500 Other Regulatory Liabilities	-13,541.04
			<b>ACCOUNTS PAYABLE</b>	-
				<b>8,118,337.09</b>
2208	Current Liabilities	Current Deposits and Credit Balances	220800 Customer Credit Balances	(472,270.53)
2210	Current Liabilities	Current Deposits and Credit Balances	221000 Current Portion of Customer Deposits	(400,469.30)
2425	Current Liabilities	Current Deposits and Credit Balances	242000 Down Payments	(80,465.31)
2425	Current Liabilities	Current Deposits and Credit Balances	242080 Down Payments	(38,787.37)
2425	Current Liabilities	Current Deposits and Credit Balances	242500 Other Deferred Credits	0.00
			<b>CURRENT DEPOSITS AND CREDIT BALANCES</b>	<b>-991,992.51</b>
2294	Current Assets	Income Taxes Recoverable	229400 Accrual for Taxes - Corporate Taxes Payable	-342,948.00
			<b>INCOME TAXES RECOVERABLE</b>	<b>-342,948.00</b>
2260	Long term liabilities	Long term debt and unrealized loss on swap	226000 Current Portion of Long Term Debt	-
				1,005,196.87
			<b>CURRENT PORTION OF LONG TERM DEBT</b>	-
				<b>1,005,196.87</b>
2306	Long term liabilities	Post Retirement Benefits	230600 Employee Future Benefits	(346,824.00)
			<b>POST RETIREMENT BENEFITS</b>	<b>-346,824.00</b>
2350	Long term liabilities	Future Income Tax Asset/Liability	156400 Future Income Tax Asset/Liability	-
				1,527,000.00
			<b>FUTURE INCOME TAX ASSET/LIABILITY</b>	-
				<b>1,527,000.00</b>
2425	Long term liabilities	Long term customer deposits	242010 Revenue Guarantee - Down Payments	(1,298,367.46)
			<b>LONG-TERM CUSTOMER DEPOSITS</b>	-
				<b>1,298,367.46</b>
2520	Long term liabilities	Long term debt	222500 Notes and Loans Payable Shareholders	-
				5,260,460.75

2520	Long term liabilities	Long term debt	252000 Term Loans Long Term Portion *	- 14,108,545.85
			Unrealized loss on interest rate swap	1,462,017.00
			*Includes unrealized loss on interest rate swap	
			<b>LONG-TERM DEBT</b>	- <b>17,906,989.60</b>
		Unrealized loss on interest rate swap	Unrealized loss on interest rate swap	- 1,465,017.00
			<b>UNREALIZED LOSS ON INTEREST RATE SWAP</b>	- <b>1,462,017.00</b>
			Included in 252000 Term Loans Long Term Portion on T/B	
3005	Equity	Share Capital	300500 Common Shares Issued	- 18,269,167.00
			<b>SHARE CAPITAL</b>	- <b>18,269,167.00</b>
3040	Equity	Other Comprehensive Income	304000 Other Comprehensive Income	-14,853.00
			<b>OTHER COMPREHENSIVE INCOME</b>	<b>-14,853.00</b>
3045	Equity	Retained Earnings	304500 Unappropriated Retained Earnings	- 14,497,475.75
			<b>RETAINED EARNINGS</b>	- <b>14,497,475.75</b>
3049	Equity	Dividends Paid	304900 Dividends PayableCommon Shares	5,640,767.92
			<b>DIVIDENDS PAID</b>	<b>5,640,767.92</b>
			<b>NET INCOME</b>	- <b>2,101,708.40</b>
			<b>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</b>	- <b>62,242,108.76</b>
			Check	0.00

**Trial Balance - Income Statement Grouping**

Account	I/S Section	Line Grouping	GL Account Description	
4006	Revenue	Electricity, market related revenue	400620 Residential Energy Sales Power Revenue KWH	(10,981.09)
4006	Revenue	Electricity, market related revenue	400621 Residential Energy Sales Power on-Peak	(4,665,806.71)
4006	Revenue	Electricity, market related revenue	400622 Residential Energy Sales Power mid-Peak	(3,761,804.55)
4006	Revenue	Electricity, market related revenue	400623 Residential Energy Sales Power off-Peak	(8,535,891.51)
4006	Revenue	Electricity, market related revenue	400650 Global Adjustment	(9,756,577.84)
4010	Revenue	Electricity, market related revenue	401020 Commercial Energy Sales Power Revenue KWH	(46,801.41)
4010	Revenue	Electricity, market related revenue	401021 Commercial Energy Sales Power on-Peak	(1,547,697.61)
4010	Revenue	Electricity, market related revenue	401022 Commercial Energy Sales Power mid-Peak	(1,224,790.62)
4010	Revenue	Electricity, market related revenue	401023 Commercial Energy Sales Power off-Peak	(2,344,030.23)
4025	Revenue	Electricity, market related revenue	402520 Street Lighting Energy Sales Power Revenue KW	(98,297.51)
4030	Revenue	Electricity, market related revenue	403020 Sentinel Lighting Energy Sales Power Revenue KW	(974.54)
4035	Revenue	Electricity, market related revenue	401220 Scattered Load Power Recovered KWH	(22,208.09)
4035	Revenue	Electricity, market related revenue	403520 General Energy Sales Power Revenue KWH	(2,621,218.41)
4035	Revenue	Electricity, market related revenue	403540 Gen Serv Energy Power >50KW >150000KWH	(1,519,594.65)
4055	Revenue	Electricity, market related revenue	405560 Energy Sales for Retailers ( Mkt Cost of Energy)	(3,845,853.97)
4062	Revenue	Electricity, market related revenue	406200 Billed WMS	(2,258,192.00)
4066	Revenue	Electricity, market related revenue	406600 Billed NW	(2,762,791.77)

4068	Revenue	Electricity, market related revenue	406800 Billed CN	(1,515,636.83)	
4075	Revenue	Electricity, market related revenue	407500 Billed LV	(745,456.24)	
4076	Revenue	Distribution revenue	407600 - Billed SMECharges-RES	(188,673.58)	
4076	Revenue	Distribution revenue	407601 - Billed SMECharges-GS<50	(23,899.49)	<b>(47,497,179)</b>
4080	Revenue	Distribution revenue	400600 Residential Sales Distribution Fixed Charge	(2,987,569.45)	
4080	Revenue	Distribution revenue	400610 Residential Sales Distribution Volumetric	(3,031,929.80)	
4080	Revenue	Distribution revenue	401000 Comm Distribution Tariff Fixed Charge	(725,060.99)	
4080	Revenue	Distribution revenue	401010 Commercial Sales Distribution Volumetric Charge	(726,971.00)	
4080	Revenue	Distribution revenue	401200 Scattered Load Distribution Fixed Charge	(4,149.60)	
4080	Revenue	Distribution revenue	401210 Scattered Load Distribution Volumetric Chge	(6,532.40)	
4080	Revenue	Distribution revenue	402500 Street Lighting Sales Distribution Fixed Charge	(412,413.26)	
4080	Revenue	Distribution revenue	402510 Street Lighting Sales Volumetric	(65,425.59)	
4080	Revenue	Distribution revenue	403000 Sentinel Lighting Distribution Fixed Charge	(524.46)	
4080	Revenue	Distribution revenue	403010 Sentinel Lighting Sales Volumetric	(457.79)	
4080	Revenue	Distribution revenue	408001 Distribution Services Revenue - Transformer Allowa	83,980.96	
4080	Revenue	Distribution revenue	408010 Distribution Services Revenue - CDM		
4080	Revenue	Distribution revenue	403500 General Sales Distribution Tariff Fixed Charge	(618,771.55)	
4080	Revenue	Distribution revenue	403510 General Sales Distribution Volumetric Charge	(941,224.66)	
4050	Revenue	Distribution revenue	405001 LPP Litigation Recovery - Residential	-	
4050	Revenue	Distribution revenue	405002 LPP Litigation Recovery - GS<50kW	-	
4050	Revenue	Distribution revenue	405003 LPP Litigation Recovery - GS>50kW	-	
4050	Revenue	Distribution revenue	405004 LPP Litigation Recovery - USL		
4050	Revenue	Distribution revenue	405005 LPP Litigation Recovery - Sentinel		
4050	Revenue	Distribution revenue	405006 LPP Litigation Recovery - Street Lighting		

4050	Revenue	Distribution revenue	405013 2013 HST Disposition	34,956.31
4050	Revenue	Distribution revenue	405020 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405030 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405040 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405050 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405060 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405063 2012 IRM Disposal and Recovery of Regulatory Balance - RES	67.90
4050	Revenue	Distribution revenue	405064 2012 IRM Disposal and Recovery of Regulatory Balance - GS<	(984.96)
4050	Revenue	Distribution revenue	405070 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405073 IRM Disposal and Recovery of GA - RES	(145.66)
4050	Revenue	Distribution revenue	405074 IRM Disposal and Recovery of GA - RES	(468.16)
4050	Revenue	Distribution revenue	405077 IRM Disposal and Recovery of GA - RES	(0.83)
4050	Revenue	Distribution revenue	405080 Regulatory Asset Recovery	-
4050	Revenue	Distribution revenue	405027 2012 IRM LRAM Recovery - Residential	(69.22)
4050	Revenue	Distribution revenue	405028 2012 IRM LRAM Recovery - GS<50kW	1.17
4050	Revenue	Distribution revenue	405029 2012 IRM LRAM Recovery - GS>50kW	-
4050	Revenue	Distribution revenue	405043 2012 IRM Tax Adjustments - Residential	13.59
4050	Revenue	Distribution revenue	405044 2012 IRM Tax Adjustments - GS<50	(1.17)
4050	Revenue	Distribution revenue	405045 2012 IRM Tax Adjustments - GS>50	-
4050	Revenue	Distribution revenue	405046 2012 IRM Tax Adjustments. - USL	-
4050	Revenue	Distribution revenue	405047 2012 IRM Tax Adjustments - Sentinel	-
4050	Revenue	Distribution revenue	405048 2012 IRM Tax Adjustments - Street Lighting	-
4050	Revenue	Distribution revenue	405081 2011 IRM Shared Tax Savings - Residential	-
4050	Revenue	Distribution revenue	405082 2011 IRM Shared Tax Savings - GS<50kW	-

4050	Revenue	Distribution revenue	405083 2011 IRM Shared Tax Savings - GS>50kW	-	
4050	Revenue	Distribution revenue	405084 2011 IRM Shared Tax Savings - USL	-	
4050	Revenue	Distribution revenue	405085 2011 IRM Shared Tax Savings - Sentinel	-	
4050	Revenue	Distribution revenue	405086 2011 IRM Shared Tax Savings - Street Lighting	-	
4050	Revenue	Distribution revenue	405087 2011 Recov of Variance Acct - Residential	-	
4050	Revenue	Distribution revenue	405088 2011 Recov of Variance Acct - GS<50	-	
4050	Revenue	Distribution revenue	405089 2011 Recov of Variance Acct - GS>50	-	
4050	Revenue	Distribution revenue	405094 2011 Recov of GA Variance Acct - GS<50	-	
4050	Revenue	Distribution revenue	405095 2011 Recov of GA Variance Acct - GS>50	-	
4324	Revenue	Distribution revenue	432400 Special Purpose Charge Recovery	-	
4080	Revenue	Distribution revenue	408021 - Smart Meter DR - Residential	(45,344.95)	
4080	Revenue	Distribution revenue	408022 - Smart Meter DR - GS<50	(62,715.58)	
4080	Revenue	Distribution revenue	408023 - Smart Meter DR - GS>50	(4,439.54)	
			408000 Distribution Services Revenue - SS Admin Residenti	(64,213.11)	<b>(9,580,394)</b>
4080	Revenue	Retail services			
4082	Revenue	Retail services	408208 Retail Services Rev.- Standard Service	(100.00)	
4082	Revenue	Retail services	408210 Monthly Fixed Retail Charge	(3,940.00)	
4082	Revenue	Retail services	408212 Monthly Var Serv Charge	(3,957.16)	
4082	Revenue	Retail services	408218 Retail Services Rev.- Bill Ready Service Charge	(3,427.96)	
4084	Revenue	Retail services	408400 STR Revenues - Request Fee	(170.00)	
4084	Revenue	Retail services	408410 STR Revenues - Processing Fee	(304.50)	
			422530 Revenue Collection Charges	(130,905.00)	<b>(142,805)</b>
4210	Revenue	Rental of electric property	421000 Rent from Electric Property	(105,257.03)	<b>(105,257)</b>

4225	Revenue	Late payment charges	422500 Late Payment Charges	(90,432.84)	(90,433)
			Unrealized Gain on interest rate SWAP	-	-
4220	Revenue	Other revenue	422520 Revenue NSF Charges	(1,695.00)	
4220	Revenue	Other revenue	422540 Revenue Reconnect Charges	(11,275.04)	
4220	Revenue	Other revenue	422560 Revenue Miscellaneous	(15.00)	
4220	Revenue	Other revenue	422570 Revenue Arrears Certificates	(208.27)	
4220	Revenue	Other revenue	422580 Revenue Change of Occupancy	(79,590.00)	
4235	Revenue	Other revenue	423500 Miscellaneous Service Revenues	(864.02)	
4235	Revenue	Other revenue	423510 Misc Revenues - Statement of Account	(480.00)	
4235	Revenue	Other revenue	423530 Misc Revenues - IT Letter	-	
4235	Revenue	Other revenue	423540 Misc Revenues - Credit Reference	(630.00)	
4235	Revenue	Other revenue	423550 Misc Revenues - Special Meter Reads		
4235	Revenue	Other revenue	423565 Collection of Account/No Disconnection	(4,950.00)	
4235	Revenue	Other revenue	423570 Misc Revenues - Meter Dispute Charge	(30.00)	
4235	Revenue	Other revenue	423590 Misc Service Revenue - microFIT service charge	(3,432.99)	
4325	Revenue	Other revenue	432500 Revenues from Jobbing, Merchandising, Etc.	(39,607.45)	
4325	Revenue	Other revenue	432510 Revenues from Job Orders	(658,765.65)	
4325	Revenue	Other revenue	432569 IFRS GEN BURD CLEARING	-	
4325	Revenue	Other revenue	432570 IFRS Rev/GAAPContCap	-	
4325	Revenue	Other revenue	Additional and General OH Burden		
4330	Revenue	Other revenue	433000 Expenses for jobbing		
4330	Revenue	Other revenue	433070 IFRS REV/GAAP CCAP Expense	-	
4330	Revenue	Other revenue	506510 Consumption - Poles/Towers/Fixtures	3,695.87	
4330	Revenue	Other revenue	506520 Consumption - OH Conductors and Devices	6,096.13	

4330	Revenue	Other revenue	506525 Consumption - UG Conductors and Devices	1,452.17
4330	Revenue	Other revenue	506530 Consumption - UG Conductors	702.19
4330	Revenue	Other revenue	506560 Consumption - UG Transformers	265.43
4330	Revenue	Other revenue	506580 Consumption - Wire OH	2,206.02
4330	Revenue	Other revenue	506590 Consumption - Wire UG	3,277.83
4330	Revenue	Other revenue	506604 Non Stock L. Trans. OH	1,630.00
4330	Revenue	Other revenue	506605 Non Stock L. Trans. OH	3,090.00
4330	Revenue	Other revenue	506611 Consumption Non Stock Material - S. Meters	806.51
4330	Revenue	Other revenue	508700 Contracted Services	2,642.50
4330	Revenue	Other revenue	508701 Contracted Services Cond OH	175.00
4330	Revenue	Other revenue	508705 Consumption Non Stock Material - L. Tr UG	2,560.00
4330	Revenue	Other revenue	508708 Contracted Services - Meters	438.93
4330	Revenue	Other revenue	508711 Contracted Services - Smart M	76.00
4330	Revenue	Other revenue	508799 Consumption Non Stock Material - EX. Ser. Cap Plan	553,564.19
4355	Revenue	Other revenue	435500 Gain on Dsposition of Utility and Other Property	-
4360	Revenue	Other revenue	436010 Loss on Disposition IFRS	12,573.96
4360	Revenue	Other revenue	436000 Loss on Disposition of Utility and Other Property	
4375	Revenue	Other revenue	437500 Revenues from Non-Utility Operations	(53,969.62)
4380	Revenue	Other revenue	438000 Expenses of Non-Utility Operations	
4390	Revenue	Other revenue	439000 Miscellaneous Non-Operating Income	(10,561.30)
4405	Revenue	Other revenue	440500 Interest and Dividend Income	(32,492.96)
4405	Revenue	Other revenue	440510 Interest Regulatory Assets	(59,051.53)
4080	Revenue	Distribution revenue	408021 - Smart Meter DR - Residential	-
4080	Revenue	Distribution revenue	408022 - Smart Meter DR - GS<50	-



4080	Revenue	Distribution revenue	408023 - Smart Meter DR - GS>50	-	(362,366)
4705	Expense	Electricity, market related expense	470500 Power Purchased	29,911,223.31	
4705	Expense	Electricity, market related expense	470510 Fixed Energy Rate Settlement Amount Code 140	334,727.59	
4705	Expense	Electricity, market related expense	470515 Power Purchased - Global Adjustment	9,756,577.84	
4708	Expense	Electricity, market related expense	470800 Charges-WMS	2,258,192.00	
4714	Expense	Electricity, market related expense	471400 Charges-NW	2,762,791.77	
4716	Expense	Electricity, market related expense	471600 Charges-CN	1,515,636.83	
4750	Expense	Electricity, market related expense	475000 Charges - LV	745,456.24	
4751	Expense	Electricity, market related expense	475100 Charges - SME	212,573.07	47,497,179
5010	Expense	Distribution, operation and maintenance	715010 Settlement - Load Dispatching	205.80	
5016	Expense	Distribution, operation and maintenance	715010 Settlement - Distribution Station Equipment	1,634.22	
5020	Expense	Distribution, operation and maintenance	715020 Setl OH Dis Li&Feed-	10,657.96	
5035	Expense	Distribution, operation and maintenance	715035 Settlement - OH Distribution Transformers	3,828.58	
5040	Expense	Distribution, operation and maintenance	715040 Settlement UG Distribution Lines and Feeders	184,834.99	
5065	Expense	Distribution, operation and maintenance	506500 Meter Expense	-	
5065	Expense	Distribution, operation and maintenance	715065 Settlement Meter Expense	67,556.02	
5085	Expense	Distribution, operation and maintenance	508500 Miscellaneous Distribution Expense	-	
5085	Expense	Distribution, operation and maintenance	715085 Settlement Misc Distribution Expense	9,614.53	
5110	Expense	Distribution, operation and maintenance		11,193.21	
5114	Expense	Distribution, operation and maintenance	715114 Settlement Mtce of Distribution Stations	260,984.02	

5120	Expense	Distribution, operation and maintenance	512000 Maintenance of Poles, Towers and Fixtures	-	
5120	Expense	Distribution, operation and maintenance	715120 Settlement Mtce of Poles, Towers and Fixtures	187,602.70	
5125	Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices	282,051.64	
5130	Expense	Distribution, operation and maintenance	715130 Settlement Mtce of OH Services	108,994.91	
5135	Expense	Distribution, operation and maintenance	715135 Settlement OH Distribution Lines and Feeders	206,341.43	
5145	Expense	Distribution, operation and maintenance	715145 Settlement Mtce of UG Conduit	2,365.00	
5150	Expense	Distribution, operation and maintenance	715150 Settlement Mtce of Underground Conductors and Devices	58,159.72	
5155	Expense	Distribution, operation and maintenance	715155 Settlement Mtce of UG Services	163,593.20	
5160	Expense	Distribution, operation and maintenance	516000 Maintenance of Line Transformers O/H	-	
5160	Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers	181,848.27	
5170	Expense	Distribution, operation and maintenance	715170 Settlement Mtce of Sentinel Lights	361.12	
5175	Expense	Distribution, operation and maintenance	715175 Settlement Maintenance of Meters	38,473.76	
5175	Expense	Distribution, operation and maintenance	517500 Maintenance of Meters	1,200.00	
5175	Expense	Distribution, operation and maintenance	517510 Maintenance of Meters - Wholesale	54,783.75	
5705	Expense	Amortization	570550 Truck Amortization Exp -IFRS	117,351.09	<b>1,953,636</b>
5705	Expense	Amortization	570500 Amortization Expense # Distribution Stations	-	
5705	Expense	Amortization	570501 Amortization Expense # Bldgs & Equipment	-	
5705	Expense	Amortization	570540 Amortization Exp. IFRS	1,424,888.92	
5725	Expense	Amortization	572500 Miscellaneous Amortization		<b>1,424,889</b>
5310	Expense	Billing and collecting	531000 Meter Reading Expense	76,399.12	
5310	Expense	Billing and collecting	715310 Settlement Meter Reading Expense	136,385.18	
5315	Expense	Billing and collecting	531500 Customer Billing	-	
5315	Expense	Billing and collecting	715315 Settlement Customer Billing	425,551.34	

5315	Expense	Billing and collecting	531510 Non STR Services Expense	11,425.12	
5315	Expense	Billing and collecting	531560 STR Services Expense	474.50	
5320	Expense	Billing and collecting	532000 Collecting	-	
5320	Expense	Billing and collecting	715320 Settlement Collecting	363,436.83	
5330	Expense	Billing and collecting	533000 Collection Charges	25,189.38	
5335	Expense	Billing and collecting	533500 Bad Debt Expense	168,411.13	
5340	Expense	Billing and collecting	534000 Miscellaneous Customer Accounts Expenses	-	
5340	Expense	Billing and collecting	715340 Setl Misc Cust Accts	-	
5415	Expense	Billing and collecting	541500 Energy Conservation	(72,687.07)	
5415	Expense	Billing and collecting	715415 Setl Energy Conserva	72,687.07	<b>1,207,273</b>
5410	Expense	Community relations and donations	541000 Community Relations - Sundry	7,041.85	
5420	Expense	Community relations and donations	542000 Community Safety Program	150.00	
5420	Expense	Community relations and donations	715420 Settlement Community Safety	1,855.00	
5425	Expense	Community relations and donations	542500 Miscellaneous Customer Service and Informational E	6,304.34	
6205	Expense	Community relations and donations	620500 Donations	20,141.35	<b>35,493</b>
5105	Expense	Administration	566500 Miscellaneous General Expenses	66,939.37	
5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses	686,868.97	
5610	Expense	Administration	561000 Management Salaries and Expenses	1,170.00	
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses	243,289.58	
5615	Expense	Administration	561500 General Administrative Salaries and Expenses	(27,700.25)	
5615	Expense	Administration	715615 Settlement General Admin Salaries	326,716.28	
5615	Expense	Administration	561510 General Administraion Meal & Entertainment	1,629.00	
5620	Expense	Administration	562000 Office Supplies and Expenses	58,518.46	

5620	Expense	Administration	562010 Computer Maintenance Software	231,395.24	
5620	Expense	Administration	562020 Computer Maintenance Hardware	33,103.33	
5620	Expense	Administration	562050 Communication Expense	73,394.75	
5630	Expense	Administration	563000 Outside Services Employed - Accountant	55,600.00	
5665	Expense	Administration	500000 Expenses - Fixed Cost	-	
5305	Expense	Administration	530500 Supervision	-	
5630	Expense	Administration	563010 Outside Services Employed - Legal	19,563.04	
5630	Expense	Administration	563020 Outside Services Employed - Consultants	68,831.09	
5635	Expense	Administration	563500 Insurance - Property/Liability	96,048.29	
5635	Expense	Administration	715635 Settlement Property Insurance	500.00	
5640	Expense	Administration	564000 Injuries and Damages	-	
5655	Expense	Administration	565500 Regulatory Expenses	102,176.77	
5660	Expense	Administration	566000 General Advertising Expenses	12,178.31	<b>2,050,222</b>
6005	Expense	Interest on long term debt	600500 Interest on Long Term Debt	1,340,849.60	
			* includes the unrealized loss on the interest rate swaps.	(458,226)	<b>882,623.60</b>
6105	Expense	Municipal taxes	610500 Taxes Other Than Income Taxes	35,703.65	<b>35,704</b>
6035	Expense	Other interest	603500 Other Interest Expense	33,460.57	
6035	Expense	Other interest	603501 Security Deposit Interest Expense	-	
6215	Expense	Other interest	621500 Penalties	-	<b>33,461</b>
5675	Expense	Repairs and maintenance of general plant	567500 Maintenance of General Plant - Office and Service	757.11	
5675	Expense	Repairs and maintenance of general plant	715675 Settlement Mtce of General Plant	102,262.85	<b>103,020</b>

			Unrealized Loss on interest rate SWAP	458,226	<b>458,226</b>
6110	Expense	Income tax - current	611000 Corporate Taxes	100,000.00	<b>100,000</b>
6115	Expense	Income tax - future	611500 Future Income Tax	(105,000.00)	<b>(105,000)</b>
			Balance Check		<b>(2,101,708)</b>
			Balance per Audited Statements		<b>(2,101,708)</b>
			Difference		<b>0</b>

**Trial Balance - Balance Sheet  
Grouping**

				Amounts	Amounts in	Amounts
Account	B/S Section	Line Grouping	GL Account Description	December 31, 2013	2013 Cost of Service	December 31, 2013
1005	Current Assets	Cash	100500 Cash	1,008,899.90		1,008,899.90
1005	Current Assets	Cash	100510 Cash Advances Petty Cash	800.00		800.00
1005	Current Assets	Cash	100550 Deposit Clearing Account	2,329.16		2,329.16
1005	Current Assets	Cash	100551 Cheque Clearing Account	-311,537.80		-311,537.80
1040	Current Assets	Cash	104000 Other Special Deposits Retailers	367,124.71		367,124.71
			<b>CASH</b>	<b>1,067,615.97</b>		<b>1,067,615.97</b>
1100	Current Assets	Accounts Receivable	110000 Collective Energy A/c Rec	3,662,610.10		3,662,610.10
1100	Current Assets	Accounts Receivable	110020 Customer Accounts Receivable Residential Energy	0.00		0.00
1102	Current Assets	Accounts Receivable	110070 Accounts Receivable Retailers	2,440.52		2,440.52
1102	Current Assets	Accounts Receivable	110200 Accounts Receivable Services	89,398.85		89,398.85
1104	Current Assets	Accounts Receivable	110400 Accounts Receivable Recoverable Work	289,785.08		289,785.08
1105	Current Assets	Accounts Receivable	110500 Accounts Receivable - Miscellaneous	72,034.80		72,034.80
			111014 Retailer Clearing Account (Distributor Consol)	2,571.40		2,571.40
1130	Current Assets	Accounts Receivable	113000 Accumulated Provision for Uncollectible AccountsCr	-241,000.00		-241,000.00
1190	Current Assets	Accounts Receivable	119000 Miscellaneous Current and Accrued Assets	654,234.63		654,234.63
			<b>ACCOUNTS RECEIVABLE</b>	<b>4,532,075.38</b>		<b>4,532,075.38</b>
2294	Current Assets	Income Taxes Recoverable	229400 Accrual for Taxes - Corporate Taxes Payable	54,898.00		54,898.00
			<b>INCOME TAXES RECOVERABLE</b>	<b>54,898.00</b>		<b>54,898.00</b>

1120	Current Assets	Accrued Unbilled Revenue	112000 Accrued Utility Revenues	5,562,805.10	5,562,805.10
			<b>ACCRUED UNBILLED REVENUE</b>	5,562,805.10	5,562,805.10
1330	Current Assets	Inventory	133000 Plant Materials and Operating Supplies	709,434.35	709,434.35
1330	Current Assets	Inventory	133099 Inventory Adjustment Account - Major Spare Parts	-610,113.54	-610,113.54
			<b>INVENTORY</b>	99,320.81	99,320.81
1180	Current Assets	Prepaid Expenses	118000 Prepayments	257,333.47	257,333.47
			<b>PREPAID EXPENSES</b>	257,333.47	257,333.47
1070	Non-current Asset	Investment in Equities	107000 Current Investments	25,138.40	25,138.40
			<b>INVESTMENT IN EQUITIES</b>	25,138.40	25,138.40
1606	Capital Asset	Property, Plant & Equipment	160600 Organizational Costs	211,502.82	211,502.82
1805	Capital Asset	Property, Plant & Equipment	180500 Land	227,768.86	227,768.86
1808	Capital Asset	Property, Plant & Equipment	180800 Buildings and Fixtures	2,494,409.26	2,494,409.26
1820	Capital Asset	Property, Plant & Equipment	182000 Distribution Station Equipment Normally Primary b	4,210,759.35	4,210,759.35
1830	Capital Asset	Property, Plant & Equipment	183000 Poles, Towers and Fixtures	8,584,111.20	8,584,111.20
1835	Capital Asset	Property, Plant & Equipment	183500 Overhead Conductors and Devices	11,944,595.42	11,944,595.42
1840	Capital Asset	Property, Plant & Equipment	184000 Underground Conduit	3,219,882.59	3,219,882.59
1845	Capital Asset	Property, Plant & Equipment	184500 Underground Conductors and Devices	9,705,243.29	9,705,243.29
1850	Capital Asset	Property, Plant & Equipment	185000 Line Transformers Overhead	8,512,169.81	8,512,169.81
1855	Capital Asset	Property, Plant & Equipment	185500 Services Overhead	4,998,080.05	4,998,080.05
1860	Capital Asset	Property, Plant & Equipment	186000 Meters	5,499,161.58	5,499,161.58
1865	Capital Asset	Property, Plant & Equipment	186500 Other Installations on Customer#s Premises	1,634.63	1,634.63
1330	Capital Asset	Property, Plant & Equipment	189999 Major Spare Parts Inventory	608,680.24	608,680.24

1915	Capital Asset	Property, Plant & Equipment	191500 Office Furniture and Equipment	267,490.17	267,490.17
1920	Capital Asset	Property, Plant & Equipment	192000 Computer Equipment Hardware	573,749.11	573,749.11
1925	Capital Asset	Property, Plant & Equipment	192500 Computer Software	1,235,996.42	1,235,996.42
1930	Capital Asset	Property, Plant & Equipment	193000 Transportation Equipment	2,250,267.34	2,250,267.34
1935	Capital Asset	Property, Plant & Equipment	193500 Stores Equipment	86,277.71	86,277.71
1940	Capital Asset	Property, Plant & Equipment	194000 Tools, Shop and Garage Equipment	339,259.13	339,259.13
1945	Capital Asset	Property, Plant & Equipment	194500 Measurement and Testing Equipment	80,686.10	80,686.10
1950	Capital Asset	Property, Plant & Equipment	195000 Power Operated Equipment	89,271.96	89,271.96
1955	Capital Asset	Property, Plant & Equipment	195500 Communication Equipment	176,173.24	176,173.24
1960	Capital Asset	Property, Plant & Equipment	196000 Miscellaneous Equipment	86,956.91	86,956.91
1975	Capital Asset	Property, Plant & Equipment	197500 Load Management Controls Utility Premises	258,630.50	258,630.50
1985	Capital Asset	Property, Plant & Equipment	198500 Sentinel Lighting Rental Units	1,426.68	1,426.68
1995	Capital Asset	Property, Plant & Equipment	199500 Contributions and Grants Credit Poles Tower Fixt	-9,370,462.18	-9,370,462.18
2055	Capital Asset	Property, Plant & Equipment	205500 Construction Work in ProgressElectric	133,257.92	133,257.92
2105	Capital Asset	Property, Plant & Equipment	210500 Accum Amort Electric Plant - Distr Stn Equip	-1,920,701.39	-1,920,701.39
2105	Capital Asset	Property, Plant & Equipment	210501 Accumulated Amortization - Bldgs & Equipment	-302,999.63	-302,999.63
2105	Capital Asset	Property, Plant & Equipment	210502 Accumulated Amortization - Poles	-2,627,412.58	-2,627,412.58
2105	Capital Asset	Property, Plant & Equipment	210503 Accumulated Amortization - O/H Conductors	-3,714,687.52	-3,714,687.52
2105	Capital Asset	Property, Plant & Equipment	210504 Accumulated Amortization - U/G Conductors	-3,056,587.14	-3,056,587.14
2105	Capital Asset	Property, Plant & Equipment	210505 Accumulated Amortization - U/G Conduit	-1,055,254.01	-1,055,254.01
2105	Capital Asset	Property, Plant & Equipment	210506 Accumulated Amortization - O/H Transformers	-3,092,352.28	-3,092,352.28
2105	Capital Asset	Property, Plant & Equipment	210508 Accumulated Amortization - O/H Services	-1,500,926.95	-1,500,926.95



2105	Capital Asset	Property, Plant & Equipment	210510 Accumulated Amortization - Meters	-1,358,425.60	-1,358,425.60
2105	Capital Asset	Property, Plant & Equipment	210511 Accumulated Amortization - Load Mgmt Controls	-258,630.50	-258,630.50
1606	Capital Asset	Property, Plant & Equipment	210512 Accumulated Amortization - Organizational Costs	-211,502.82	-211,502.82
2105	Capital Asset	Property, Plant & Equipment	210520 Accumulated Amortization - Contr Capital O/H Lines	2,032,770.49	2,032,770.49
2105	Capital Asset	Property, Plant & Equipment	218000 Accum. Amortization - Office Equipment	-203,214.37	-203,214.37
2105	Capital Asset	Property, Plant & Equipment	218001 Accum. Amortization - Computer Hardware	-505,822.64	-505,822.64
2105	Capital Asset	Property, Plant & Equipment	218002 Accum. Amortization - Computer Software	-1,011,866.34	-1,011,866.34
2105	Capital Asset	Property, Plant & Equipment	218003 Accum. Amortization - Rolling Stock	-1,283,064.37	-1,283,064.37
2105	Capital Asset	Property, Plant & Equipment	218005 Accum. Amortization - Stores Equipment	-40,206.26	-40,206.26
2105	Capital Asset	Property, Plant & Equipment	218006 Accum. Amortization - Tools & Garage	-217,315.96	-217,315.96
2105	Capital Asset	Property, Plant & Equipment	218007 Accum. Amortization - Measurement Equipment	-47,919.26	-47,919.26
2105	Capital Asset	Property, Plant & Equipment	218008 Accumu. Amortization - Power Operated Equip	-50,978.18	-50,978.18
2105	Capital Asset	Property, Plant & Equipment	218009 Accum. Amortization - Communication Equip	-125,010.42	-125,010.42
2105	Capital Asset	Property, Plant & Equipment	218010 Accum. Amortization - Misc Equipment	-37,389.35	-37,389.35
2105	Capital Asset	Property, Plant & Equipment	218011 Accum. Amortization - Sentinel Lights	-1,426.68	-1,426.68
			<b>PROPERTY, PLANT AND EQUIPMENT</b>	35,836,056.35	35,836,056.35
1508	Long term asset	Regulatory Assets	150830 Other Reg Assets - Deferred IFRS Transition Costs	59,288.74	59,288.74
1508	Long term asset	Regulatory Assets	150832 Other Reg Asset-Deferred IFRS Transition Costs-Int	1,243.59	1,243.59
1508	Long term asset	Regulatory Assets	150840 Other Reg Assets - Incremental Capital Charges	0.00	0.00

1508	Long term asset	Regulatory Assets	150842 Other Reg Assets-Incremental Capital Charges - Int	0.00	0.00
1518	Long term asset	Regulatory Assets	151800 RCVARetail	-17,113.94	-17,113.94
1518	Long term asset	Regulatory Assets	151810 RCVA Retail - Interest	-249.15	-249.15
1532	Long term asset	Regulatory Assets	153200 Renewable Connection OM&A Deferral Account	1,974.00	1,974.00
1532	Long term asset	Regulatory Assets	153210 Renewable Connection OM&A Deferral Account-Interes	33.58	33.58
1548	Long term asset	Regulatory Assets	154800 RCVASTR (Request Fee)	37,765.17	37,765.17
1548	Long term asset	Regulatory Assets	154810 RCVA - STR - Intereset	621.90	621.90
1551	Long term asset	Regulatory Assets	<b>155101 Smart Meter Entity Charge Variance - Residential</b>	12,048.46	12,048.46
1551	Long term asset	Regulatory Assets	<b>155102 Smart Meter Entity Charge Variance - GS&lt;50</b>	1,504.23	1,504.23
1551	Long term asset	Regulatory Assets	<b>155101 Smart Meter Entity Charge Variance - Carry Chg</b>	156.87	156.87
1555	Long term asset	Regulatory Assets	155500 Smart Meter Capital and Recovery Offset Variance	0.00	0.00
1555	Long term asset	Regulatory Assets	155510 Smart Meter Carrying Charges	0.00	0.00
1555	Long term asset	Regulatory Assets	<b>155523 Stranded Assets - Recovery</b>	-208,193.60	-208,193.60
1555	Long term asset	Regulatory Assets	<b>155524 Stranded Assets - Carry Chg</b>	4,350.26	4,350.26
1555	Long term asset	Regulatory Assets	155525 Stranded Assets - Residential Meters	850,316.55	850,316.55
1555	Long term asset	Regulatory Assets	155526 SM Stranded Assets - Res Meter - Acc Amort	-426,162.55	-426,162.55
1555	Long term asset	Regulatory Assets	155527 SM Stranded Asset-Meter-GS<50	478,101.38	478,101.38
1555	Long term asset	Regulatory Assets	155528 SM Stranded Asset-Meter-GS<50 - Accum Amort	-293,846.38	-293,846.38
1555	Long term asset	Regulatory Assets	155530 Smart Meter Operating Expense Offset - Revenues	0.00	0.00

1555	Long term asset	Regulatory Assets	155540 Smart Meter Capital Variance Account - Collectors	0.00	0.00
1555	Long term asset	Regulatory Assets	155541 Smart Meter Capital Var Acct - Collectors-Acc Amort	0.00	0.00
1555	Long term asset	Regulatory Assets	155542 Smart Meter Capital Variance Acct-Computer Hardwar	0.00	0.00
1555	Long term asset	Regulatory Assets	155543 Smart Meter Cap Var Acct-Computer Hardware-AccAmor	0.00	0.00
1555	Long term asset	Regulatory Assets	155544 Smart Meter Cap Variance Acct-Duplicate Meter Base	0.00	0.00
1555	Long term asset	Regulatory Assets	155545 SM Cap Variance Acct-Duplicate Meter Base-AccAmort	0.00	0.00
1555	Long term asset	Regulatory Assets	155546 Smart Meter Cap Variance Acct-Meter Base Repairs	0.00	0.00
1555	Long term asset	Regulatory Assets	155547 SM Cap Variance Acct-Meter Base Repairs-AccumAmort	0.00	0.00
1555	Long term asset	Regulatory Assets	155548 Smart Meter Cap Variance Acct-Smart Meter	0.00	0.00
1555	Long term asset	Regulatory Assets	155549 Smart Meter Cap Variance Acct-Smart Meter-AccAmort	0.00	0.00
1555	Long term asset	Regulatory Assets	155550 Smart Meter Capital Variance Account - Consulting	0.00	0.00
1555	Long term asset	Regulatory Assets	155551 Smart Meter Capital Variance Acct-Consulting-AccAm	0.00	0.00
1555	Long term asset	Regulatory Assets	155552 Smart Meter Capital Variance Account - Software	0.00	0.00
1555	Long term asset	Regulatory Assets	155553 Smart Meter Capital Variance Acct-Software-AccAmor	0.00	0.00
1556	Long term asset	Regulatory Assets	155600 Smart Meter OM&A Variance Account - Operating	0.00	0.00
1556	Long term asset	Regulatory Assets	155610 Smart Meter OM&A Variance Account - Maintenance	0.00	0.00
1556	Long term asset	Regulatory Assets	155620 Smart Meter OM&A Variance Account - Administration	0.00	0.00
1556	Long term asset	Regulatory Assets	155630 Smart Meter OM&A Variance Account - Amortization	0.00	0.00
1556	Long term asset	Regulatory Assets	155640 Smart Meter OM&A Carrying Charges	0.00	0.00

1565	Long term asset	Regulatory Assets	156500 Conservation and Demand Exp. and Recov.	-17,231.03	-17,231.03
1566	Long term asset	Regulatory Assets	156600 Conservation and Demand Management Contra	17,231.03	17,231.03
1568	Long term asset	Regulatory Assets	<b>156801 LRAM Variance Account - RES</b>	12,980.00	12,980.00
1568	Long term asset	Regulatory Assets	<b>156802 LRAM Variance Account - GS&lt;50</b>	31,934.00	31,934.00
1568	Long term asset	Regulatory Assets	<b>156803 LRAM Variance Account - GS&gt;50</b>	1,101.00	1,101.00
1568	Long term asset	Regulatory Assets	<b>156804 LRAM Variance Account - Carry Charge</b>	1,042.73	1,042.73
1575	Long term asset	Regulatory Assets	<b>157501 IFRS/CGAAP Transitional PP&amp;E Amounts</b>	-403,511.26	-403,511.26
1580	Long term asset	Regulatory Assets	158000 RSVAWMS	-833,915.68	-833,915.68
1580	Long term asset	Regulatory Assets	158001 RSVA (WHS) Carrying charges	-27,264.34	-27,264.34
1582	Long term asset	Regulatory Assets	158200 RSVAONETIME	0.00	0.00
1582	Long term asset	Regulatory Assets	158201 RSVA ONETIME INTEREST	0.00	0.00
1584	Long term asset	Regulatory Assets	158400 RSVANW	-68,753.06	-68,753.06
1584	Long term asset	Regulatory Assets	158401 RSVA (NW) Carrying Charges	1,357.83	1,357.83
1550	Long term asset	Regulatory Assets	158500 RSVALV	642,692.14	642,692.14
1550	Long term asset	Regulatory Assets	158501 RSVA (LV) Carrying Charges	8,796.34	8,796.34
1586	Long term asset	Regulatory Assets	158600 RSVACN	1,939,369.77	1,939,369.77
1586	Long term asset	Regulatory Assets	158601 RSVA(CN) Carrying Charges	29,114.38	29,114.38
1588	Long term asset	Regulatory Assets	158800 RSVAPOWER	1,007,639.52	1,007,639.52
1588	Long term asset	Regulatory Assets	158801 RSVA (POWER) Carrying charges	7,890.62	7,890.62

1588	Long term asset	Regulatory Assets	158810 RSVA Power - Global Adjustment	-201,936.00	-201,936.00
1588	Long term asset	Regulatory Assets	158811 RSVA Global Adjustment (POWER) Carrying charges	-17,721.47	-17,721.47
1592	Long term asset	Regulatory Assets	159201 HST OVAT/ITC	145,624.89	145,624.89
1592	Long term asset	Regulatory Assets	159202 HST OVAT/ITC - CONTRA	-122,917.00	-122,917.00
1592	Long term asset	Regulatory Assets	<b>159201 HST OVAT/ITC - Carrying Charge</b>	4,913.86	4,913.86
1592	Long term asset	Regulatory Assets	<b>159202 HST OVAT/ITC - CONTRA - Carrying Charge</b>	-4,112.21	-4,112.21
1595	Long term asset	Regulatory Assets	159500 Dispo & Recov of Reg Bal Control Acct - Approved09	0.00	0.00
1595	Long term asset	Regulatory Assets	159502 Carrying Charges Trsf'd to Acct 1595 - Approved 09	0.00	0.00
1595	Long term asset	Regulatory Assets	159504 2010 Tax Sharing Refund from IRM3	0.00	0.00
1595	Long term asset	Regulatory Assets	159505 2010 Tax Sharing Refund from IRM3 Carrying Charge	0.00	0.00
1595	Long term asset	Regulatory Assets	159520 Recovery of Regulatory Assets - Res - Approved2009	0.00	0.00
1595	Long term asset	Regulatory Assets	159530 Recovery of Regulatory Assets - GS<50 kW-Approve09	0.00	0.00
1596	Long term asset	Regulatory Assets	<b>159531 2013 DVA Disposition - Principal</b>	2,037,483.37	2,037,483.37
1597	Long term asset	Regulatory Assets	<b>159532 2013 DVA Disposition - Carry Charges</b>	233,498.54	233,498.54
1598	Long term asset	Regulatory Assets	<b>159533 2013 DVA Disposition - Net Principal</b>	-695,024.31	-695,024.31
1599	Long term asset	Regulatory Assets	<b>159534 2013 DVA Disposition - Carry Charges</b>	16,759.13	16,759.13
1600	Long term asset	Regulatory Assets	<b>159536 2013 DVA GA Disposition - Principal</b>	600,993.00	600,993.00
1601	Long term asset	Regulatory Assets	<b>159537 2013 DVA GA Disposition - Carry Charges</b>	-481.00	-481.00
1602	Long term asset	Regulatory Assets	<b>159538 2013 DVA GA Disposition - Net Principal</b>	-196,015.01	-196,015.01

1603	Long term asset	Regulatory Assets	<b>159539 2013 DVA GA Disposition - Carry Charges</b>	4,352.12	4,352.12
1595	Long term asset	Regulatory Assets	159540 Recovery of Regulatory Assets- GS>50kW-Approved2009	0.00	0.00
1595	Long term asset	Regulatory Assets	159560 Recovery of Regulatory Assets- Scattered Load-App09	0.00	0.00
1595	Long term asset	Regulatory Assets	159561 2012 IRM Dispo & Recov of Reg Bal - Control Account	-637,044.77	-637,044.77
1595	Long term asset	Regulatory Assets	159562 2012 IRM Dispo & Recov of Reg Bal -Car Chg Control	-19,364.00	-19,364.00
1595	Long term asset	Regulatory Assets	159563 2012 IRM Dispo & Recov of Reg Bal - Residential	254,247.39	254,247.39
1595	Long term asset	Regulatory Assets	159564 2012 IRM Dispo & Recov of Reg Bal - GS<50	98,527.68	98,527.68
1595	Long term asset	Regulatory Assets	159565 2012 IRM Dispo & Recov of Reg Bal - GS>50	258,358.33	258,358.33
1595	Long term asset	Regulatory Assets	159566 2012 IRM Dispo & Recov of Reg Bal - USL	346.66	346.66
1595	Long term asset	Regulatory Assets	159567 2012 IRM Dispo & Recov of Reg Bal - Sentinel	22.81	22.81
1595	Long term asset	Regulatory Assets	159568 2012 IRM Dispo & Recov of Reg Bal - Street Lighting	11,571.70	11,571.70
1595	Long term asset	Regulatory Assets	159569 2012 IRM Dispo & Recov of Reg Bal -Car Chg	-4,785.05	-4,785.05
1595	Long term asset	Regulatory Assets	159570 Recovery of Regulatory Assets- SentinelLight-App 09	0.00	0.00
1595	Long term asset	Regulatory Assets	159571 2012 IRM Dispo & Recov of GA- Control(non-RPP only)	-39,916.00	-39,916.00
1595	Long term asset	Regulatory Assets	159572 2012IRM Dispo & Recov GA-CarChg Control (non-RPP	-17,285.00	-17,285.00
1595	Long term asset	Regulatory Assets	159573 2012 IRM Dispo & Recov of GA- Residen(non-RPP only)	3,234.00	3,234.00
1595	Long term asset	Regulatory Assets	159574 2012 IRM Dispo & Recov of GA- GS<50 (non-RPP only)	3,974.21	3,974.21
1595	Long term asset	Regulatory Assets	159575 2012 IRM Dispo & Recov of GA- GS>50 (non-RPP only)	41,387.56	41,387.56
1595	Long term asset	Regulatory Assets	159576 2012 IRM Dispo & Recov of GA- USL (non-RPP only)	17.03	17.03

1595	Long term asset	Regulatory Assets	159577 2012 IRM Dispo & Recov of GA-StrLght(non-RPP only)	2,140.42	2,140.42
1595	Long term asset	Regulatory Assets	159578 2012IRM Dispo & Recov GA-CarChg (non-RPP only)	-207.83	-207.83
1595	Long term asset	Regulatory Assets	159580 Recovery of Regulatory Assets-Street Light-App 09	0.00	0.00
1595	Long term asset	Regulatory Assets	159581 Dispo & Recov of Reg Bal Control Acct - 2011 IRM	-877,976.91	-877,976.91
1595	Long term asset	Regulatory Assets	159582 Carrying Charge Control Acct - 2011 IRM	1,587,333.77	1,587,333.77
1595	Long term asset	Regulatory Assets	159583 Recovery of Var Accounts - 2011 IRM - Residential	-299,814.31	-299,814.31
1595	Long term asset	Regulatory Assets	159584 Recovery of Var Accounts - 2011 IRM - GS<50kW	-95,827.82	-95,827.82
1595	Long term asset	Regulatory Assets	159585 Recovery of Var Accounts - 2011 IRM - GS>50kW	-234,841.54	-234,841.54
1595	Long term asset	Regulatory Assets	159586 Recovery of Var Accounts - 2011 IRM - USL	-469.30	-469.30
1595	Long term asset	Regulatory Assets	159587 Recovery of Var Accounts - 2011 IRM - Sentinel	-25.68	-25.68
1595	Long term asset	Regulatory Assets	159588 Recovery of Var Accounts - 2011 IRM - Street Light	-6,632.51	-6,632.51
1595	Long term asset	Regulatory Assets	159589 GA Adj Var Disposal Bal Control Acct - 2011 IRM	482,788.54	482,788.54
1595	Long term asset	Regulatory Assets	159590 Carrying Charge Global Adj Control Acct - 2011 IRM	20,038.47	20,038.47
1595	Long term asset	Regulatory Assets	159591 Recovery of Global Adj Var - 2011 IRM -Residential	-39,428.19	-39,428.19
1595	Long term asset	Regulatory Assets	159592 Recovery of Global Adj Var - 2011 IRM - GS<50kW	-32,123.01	-32,123.01
1595	Long term asset	Regulatory Assets	159593 Recovery of Global Adj Var - 2011 IRM - GS>50kW	-403,988.09	-403,988.09
1595	Long term asset	Regulatory Assets	159594 Recovery of Global Adj Var - 2011 IRM - USL	-156.37	-156.37
1595	Long term asset	Regulatory Assets	159596 Recovery of Global Adj Var-2011 IRM-Street Lightin	-13,970.70	-13,970.70
<b>REGULATORY ASSETS</b>				<b>4,697,862.50</b>	<b>4,697,862.50</b>

1460	Long term asset	Long term asset	146000 Other Non-current Assets	385,524.90	385,524.90
1460	Long term asset	Long term asset	146010 Other Non-current Assets - Accumulated Amortization	-29,645.61	-29,645.61
			<b>LONG-TERM ASSETS</b>	355,879.29	355,879.29
2405	Long term asset	Future Tax Regulatory Asset	240505 Future Tax Regulatory Asset	1,140,000.00	1,140,000.00
			<b>FUTURE TAX REGULATORY ASSET</b>	1,140,000.00	1,140,000.00
2060	Capital Asset	Goodwill	161000 Miscellaneous Intangible Plant	2,888,247.00	2,888,247.00
2140	Capital Asset	Goodwill	212000 Accumulated Amortization - Intangibles	-673,925.00	-673,925.00
			<b>GOODWILL</b>	2,214,322.00	2,214,322.00
			<b>TOTAL ASSETS</b>	55,843,307.27	55,843,307.27
1102	Current Liabilities	Accounts Payable			
1102	Current Liabilities	Accounts Payable	111018 Ontario Clean Energy Benefit rebate receivable	0.00	0.00
2205	Current Liabilities	Accounts Payable	220500 Accounts Payable	-5,476,104.22	-5,476,104.22
2220	Current Liabilities	Accounts Payable	222000 Miscellaneous Current and Accrued Liabilities	-1,383,601.74	-1,383,601.74
2220	Current Liabilities	Accounts Payable	222010 OPA Deferred Revenue	-63,856.30	-63,856.30
2220	Current Liabilities	Accounts Payable	222073 CDM - Deferred Revenue - Residential	-219,710.47	-219,710.47
2220	Current Liabilities	Accounts Payable	222074 CDM - Deferred Revenue - Commercial	-152,329.31	-152,329.31
2220	Current Liabilities	Accounts Payable	222075 CDM - Deferred Revenue - Industrial	-48,055.02	-48,055.02
2220	Current Liabilities	Accounts Payable	222079 CDM - Deferred Revenue - Low Income	-22,538.31	-22,538.31
2290	Current Liabilities	Accounts Payable	<b>229020 Commodity Taxes gst</b>	2,840.97	2,840.97
2290	Current Liabilities	Accounts Payable	<b>229021 Commodity Taxes gst</b>	-15,456.24	-15,456.24
2292	Current Liabilities	Accounts Payable	229230 Payroll Deductions / Expenses Payable Omers	0.00	0.00
2405	Current Liabilities	Accounts Payable	240500 Other Regulatory Liabilities	-13,541.04	-13,541.04
			<b>ACCOUNTS PAYABLE</b>	-7,392,351.68	-7,392,351.68



2208	Current Liabilities	Current Deposits and Credit Balances	220800 Customer Credit Balances	-387,082.95	-387,082.95
2210	Current Liabilities	Current Deposits and Credit Balances	221000 Current Portion of Customer Deposits	-367,124.71	-367,124.71
2425	Current Liabilities	Current Deposits and Credit Balances	242000 Down Payments	-39,839.17	-39,839.17
2425	Current Liabilities	Current Deposits and Credit Balances	242080 Down Payments	-34,963.80	-34,963.80
2425	Current Liabilities	Current Deposits and Credit Balances	242500 Other Deferred Credits	0.00	0.00
			<b>CURRENT DEPOSITS AND CREDIT BALANCES</b>	-829,010.63	-829,010.63
2306	Long term liabilities	Post Retirement Benefits	230600 Employee Future Benefits	-345,188.00	-345,188.00
			<b>POST RETIREMENT BENEFITS</b>	-345,188.00	-345,188.00
2350	Long term liabilities	Future Income Tax Asset/Liability	156400 Future Income Tax Asset/Liability	-936,000.00	-936,000.00
			<b>FUTURE INCOME TAX ASSET/LIABILITY</b>	-936,000.00	-936,000.00
2425	Long term liabilities	Long term customer deposits	242010 Revenue Guarantee - Down Payments	-700,559.22	-700,559.22
			<b>LONG-TERM CUSTOMER DEPOSITS</b>	-700,559.22	-700,559.22
2520	Long term liabilities	Long term debt and unrealized loss on swap	222500 Notes and Loans Payable Shareholders	-5,260,460.75	-5,260,460.75
2260	Long term liabilities	Long term debt and unrealized loss on swap	226000 Current Portion of Long Term Debt	-807,185.59	-807,185.59
2520	Long term liabilities	Long term debt and unrealized loss on swap	252000 Term Loans Long Term Portion *	-11,729,331.57	-11,729,331.57
			*Includes unrealized loss on interest rate swap		
			<b>LONG-TERM DEBT AND UNREALIZED LOSS ON SWAP</b>	-17,796,977.91	-17,796,977.91

3005	Equity	Share Capital	300500 Common Shares Issued	-18,269,167.00	-18,269,167.00
			<b>SHARE CAPITAL</b>	-18,269,167.00	-18,269,167.00
3040	Equity	Other Comprehensive Income	304000 Other Comprehensive Income	-11,905.00	-11,905.00
			<b>OTHER COMPREHENSIVE INCOME</b>	-11,905.00	-11,905.00
3045	Equity	Retained Earnings	304500 Unappropriated Retained Earnings	-12,261,617.08	-12,261,617.08
			<b>RETAINED EARNINGS</b>	-12,261,617.08	-12,261,617.08
3049	Equity	Dividends Paid	304900 Dividends PayableCommon Shares	4,935,327.92	4,935,327.92
			<b>DIVIDENDS PAID</b>	4,935,327.92	4,935,327.92
			<b>NET INCOME</b>	-2,235,858.67	-2,235,858.67
			<b>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</b>	-55,843,307.27	-55,843,307.27
			Check	0.00	0.00

**Trial Balance - Income Statement Grouping**

Account	I/S Section	Line Grouping	GL Account Description		
4006	Revenue	Electricity, market related revenue	400620 Residential Energy Sales Power Revenue KWH	(305.30)	(305.30)
4006	Revenue	Electricity, market related revenue	400621 Residential Energy Sales Power on-Peak	(4,321,009.49)	(4,321,009.49)
4006	Revenue	Electricity, market related revenue	400622 Residential Energy Sales Power mid-Peak	(3,496,907.05)	(3,496,907.05)
4006	Revenue	Electricity, market related revenue	400623 Residential Energy Sales Power off-Peak	(8,248,409.89)	(8,248,409.89)
4006	Revenue	Electricity, market related revenue	400650 Global Adjustment	(11,197,883.10)	(11,197,883.10)
4010	Revenue	Electricity, market related revenue	401020 Commercial Energy Sales Power Revenue KWH	146.87	146.87

4010	Revenue	Electricity, market related revenue	401021 Commercial Energy Sales Power on- Peak	(1,462,580.19)		(1,462,580.19)
4010	Revenue	Electricity, market related revenue	401022 Commercial Energy Sales Power mid- Peak	(1,176,461.20)		(1,176,461.20)
4010	Revenue	Electricity, market related revenue	401023 Commercial Energy Sales Power off- Peak	(2,082,008.00)		(2,082,008.00)
4025	Revenue	Electricity, market related revenue	402520 Street Lighting Energy Sales Power Revenue KW	(71,941.55)		(71,941.55)
4030	Revenue	Electricity, market related revenue	403020 Sentinel Lighting Energy Sales Power Revenue KW	(1,087.71)		(1,087.71)
4035	Revenue	Electricity, market related revenue	401220 Scattered Load Power Recovered KWH	(20,036.56)		(20,036.56)
4035	Revenue	Electricity, market related revenue	403520 General Energy Sales Power Revenue KWH	(2,387,666.44)		(2,387,666.44)
4035	Revenue	Electricity, market related revenue	403540 Gen Serv Energy Power >50KW >150000KWH	(854,048.03)		(854,048.03)
4055	Revenue	Electricity, market related revenue	405560 Energy Sales for Retailers ( Mkt Cost of Energy)	(2,781,821.71)		(2,781,821.71)
4062	Revenue	Electricity, market related revenue	406200 Billed WMS	(2,428,810.93)		(2,428,810.93)
4066	Revenue	Electricity, market related revenue	406600 Billed NW	(2,606,397.99)		(2,606,397.99)
4068	Revenue	Electricity, market related revenue	406800 Billed CN	(950,594.79)		(950,594.79)
4075	Revenue	Electricity, market related revenue	407500 Billed LV	(644,641.40)		(644,641.40)
4076	Revenue	Distribution revenue	<b>407600 - Billed SMECharges-RES</b>	(126,766.86)		(126,766.86)
4076	Revenue	Distribution revenue	<b>407601 - Billed SMECharges-GS&lt;50</b>	(15,821.06)		(15,821.06) <b>(44,875,052)</b>
4080	Revenue	Distribution revenue	400600 Residential Sales Distribution Fixed Charge	(3,180,829.78)	309,954.75	(2,870,875.03)
4080	Revenue	Distribution revenue	400610 Residential Sales Distribution Volumetric	(3,214,895.44)	316,661.02	(2,898,234.42)
4080	Revenue	Distribution revenue	401000 Comm Distribution Tariff Fixed Charge	(749,638.35)	70,752.05	(678,886.30)
4080	Revenue	Distribution revenue	401010 Commercial Sales Distribution Volumetric Charge	(765,513.92)	75,815.02	(689,698.90)
4080	Revenue	Distribution revenue	401200 Scattered Load Distribution Fixed Charge	(6,359.39)	938.49	(5,420.90)

4080	Revenue	Distribution revenue	401210 Scattered Load Distribution Volumetric Chge	(9,871.67)	1,476.06	(8,395.61)
4080	Revenue	Distribution revenue	402500 Street Lighting Sales Distribution Fixed Charge	(401,202.07)	34,880.34	(366,321.73)
4080	Revenue	Distribution revenue	402510 Street Lighting Sales Volumetric	(63,713.60)	5,290.75	(58,422.85)
4080	Revenue	Distribution revenue	403000 Sentinel Lighting Distribution Fixed Charge	(505.90)	32.38	(473.52)
4080	Revenue	Distribution revenue	403010 Sentinel Lighting Sales Volumetric	(469.63)	29.15	(440.48)
4080	Revenue	Distribution revenue	408001 Distribution Services Revenue - Transformer Allowa	80,905.02		80,905.02
4080	Revenue	Distribution revenue	408010 Distribution Services Revenue - CDM			-
4080	Revenue	Distribution revenue	403500 General Sales Distribution Tariff Fixed Charge	(805,398.39)	94,346.19	(711,052.20)
4080	Revenue	Distribution revenue	403510 General Sales Distribution Volumetric Charge	(1,124,445.00)	125,661.74	(998,783.26)
4050	Revenue	Distribution revenue	405001 LPP Litigation Recovery - Residential	0.32		0.32
4050	Revenue	Distribution revenue	405002 LPP Litigation Recovery - GS<50kW	(2.68)		(2.68)
4050	Revenue	Distribution revenue	405003 LPP Litigation Recovery - GS>50kW	50.16		50.16
4050	Revenue	Distribution revenue	405004 LPP Litigation Recovery - USL			-
4050	Revenue	Distribution revenue	405005 LPP Litigation Recovery - Sentinel			-
4050	Revenue	Distribution revenue	405006 LPP Litigation Recovery - Street Lighting			-
4050	Revenue	Distribution revenue	<b>405013 2013 HST Disposition</b>	21,542.11		21,542.11
4050	Revenue	Distribution revenue	<b>405020 Regulatory Asset Recovery</b>	(172.93)	172.93	-
4050	Revenue	Distribution revenue	<b>405030 Regulatory Asset Recovery</b>	(368.09)	368.09	-
4050	Revenue	Distribution revenue	<b>405040 Regulatory Asset Recovery</b>	(576.72)	576.72	-
4050	Revenue	Distribution revenue	<b>405050 Regulatory Asset Recovery</b>	(367.05)	-	(367.05)
4050	Revenue	Distribution revenue	<b>405060 Regulatory Asset Recovery</b>	(8.17)	8.17	-
4050	Revenue	Distribution revenue	<b>405070 Regulatory Asset Recovery</b>	(7.78)	7.78	-
4050	Revenue	Distribution revenue	<b>405080 Regulatory Asset Recovery</b>	66.55	(66.55)	-

4050	Revenue	Distribution revenue	405027 2012 IRM LRAM Recovery - Residential	(54,203.99)	(54,203.99)	
4050	Revenue	Distribution revenue	405028 2012 IRM LRAM Recovery - GS<50kW	(4,815.08)	(4,815.08)	
4050	Revenue	Distribution revenue	405029 2012 IRM LRAM Recovery - GS>50kW	(3,682.76)	(3,682.76)	
4050	Revenue	Distribution revenue	405043 2012 IRM Tax Adjustments - Residential	23,228.54	23,228.54	
4050	Revenue	Distribution revenue	405044 2012 IRM Tax Adjustments - GS<50	4,815.09	4,815.09	
4050	Revenue	Distribution revenue	405045 2012 IRM Tax Adjustments - GS>50	5,723.39	5,723.39	
4050	Revenue	Distribution revenue	405046 2012 IRM Tax Adjustments. - USL	57.34	57.34	
4050	Revenue	Distribution revenue	405047 2012 IRM Tax Adjustments - Sentinel	1.48	1.48	
4050	Revenue	Distribution revenue	405048 2012 IRM Tax Adjustments - Street Lighting	1,455.24	1,455.24	
4050	Revenue	Distribution revenue	405081 2011 IRM Shared Tax Savings - Residential	(0.07)	(0.07)	
4050	Revenue	Distribution revenue	405082 2011 IRM Shared Tax Savings - GS<50kW	5.01	5.01	
4050	Revenue	Distribution revenue	405083 2011 IRM Shared Tax Savings - GS>50kW	(0.71)	(0.71)	
4050	Revenue	Distribution revenue	405084 2011 IRM Shared Tax Savings - USL	57.34	57.34	
4050	Revenue	Distribution revenue	405085 2011 IRM Shared Tax Savings - Sentinel	-	-	
4050	Revenue	Distribution revenue	405086 2011 IRM Shared Tax Savings - Street Lighting	-	-	
4050	Revenue	Distribution revenue	<b>405087 2011 Recov of Variance Acct - Residential</b>	0.56	0.56	
4050	Revenue	Distribution revenue	<b>405088 2011 Recov of Variance Acct - GS&lt;50</b>	(75.30)	(75.30)	
4050	Revenue	Distribution revenue	<b>405089 2011 Recov of Variance Acct - GS&gt;50</b>	275.57	275.57	
4050	Revenue	Distribution revenue	<b>405094 2011 Recov of GA Variance Acct - GS&lt;50</b>	(140.57)	(140.57)	
4050	Revenue	Distribution revenue	<b>405095 2011 Recov of GA Variance Acct - GS&gt;50</b>	307.41	307.41	
4324	Revenue	Distribution revenue	432400 Special Purpose Charge Recovery	52.22	52.22	
			408000 Distribution Services Revenue - SS Admin Residenti	(63,972.60)	(63,972.60)	<b>(9,275,789)</b>
4080	Revenue	Retail services				

4082	Revenue	Retail services	408208 Retail Services Rev.- Standard Service	(100.00)	(100.00)	
4082	Revenue	Retail services	408210 Monthly Fixed Retail Charge	(4,100.00)	(4,100.00)	
4082	Revenue	Retail services	408212 Monthly Var Serv Charge	(4,240.96)	(4,240.96)	
4082	Revenue	Retail services	408218 Retail Services Rev.- Bill Ready Service Charge	(3,931.52)	(3,931.52)	
4084	Revenue	Retail services	408400 STR Revenues - Request Fee	(178.75)	(178.75)	
4084	Revenue	Retail services	408410 STR Revenues - Processing Fee	(272.00)	(272.00)	
4220	Revenue	Other revenue	422530 Revenue Collection Charges	(124,245.35)	(124,245.35)	<b>(137,069)</b>
4210	Revenue	Rental of electric property	421000 Rent from Electric Property	(105,257.09)	(105,257.09)	<b>(105,257)</b>
4225	Revenue	Late payment charges	422500 Late Payment Charges	(81,746.49)	(81,746.49)	<b>(81,746)</b>
4220	Revenue	Other revenue	422520 Revenue NSF Charges	(1,725.00)	(1,725.00)	
4220	Revenue	Other revenue	422540 Revenue Reconnect Charges	(18,937.48)	(18,937.48)	
4220	Revenue	Other revenue	422560 Revenue Miscellaneous	-	-	
4220	Revenue	Other revenue	422570 Revenue Arrears Certificates	(130.00)	(130.00)	
4220	Revenue	Other revenue	422580 Revenue Change of Occupancy	(77,940.00)	(77,940.00)	
4235	Revenue	Other revenue	423500 Miscellaneous Service Revenues	(3,184.63)	(3,184.63)	
4235	Revenue	Other revenue	423510 Misc Revenues - Statement of Account	(510.00)	(510.00)	
4235	Revenue	Other revenue	423530 Misc Revenues - IT Letter	-	-	
4235	Revenue	Other revenue	423540 Misc Revenues - Credit Reference	(945.00)	(945.00)	
4235	Revenue	Other revenue	423550 Misc Revenues - Special Meter Reads		-	
4235	Revenue	Other revenue	423565 Collection of Account/No Disconnection	(12,540.00)	(12,540.00)	
4235	Revenue	Other revenue	<b>423570 Misc Revenues - Meter Dispute Charge</b>	(60.00)	(60.00)	
4235	Revenue	Other revenue	423590 Misc Service Revenue - microFIT service charge	(3,122.55)	(3,122.55)	
					-	

4325	Revenue	Other revenue	<b>432500 Revenues from Jobbing, Merchandising, Etc.</b>	(29,794.87)		(29,794.87)
4325	Revenue	Other revenue	432510 Revenues from Job Orders	(126,200.55)		(126,200.55)
4325	Revenue	Other revenue	<b>432569 IFRS GEN BURD CLEARING</b>	(51,407.90)		(51,407.90)
4325	Revenue	Other revenue	<b>432570 IFRS Rev/GAAP ContCap</b>	(2,176.35)		(2,176.35)
4325	Revenue	Other revenue	Additional and General OH Burden			-
4330	Revenue	Other revenue	433000 Expenses for jobbing			-
4330	Revenue	Other revenue	<b>433070 IFRS REV/GAAP CCAP Expense</b>	51,407.90		51,407.90
4330	Revenue	Other revenue	<b>506510 Consumption - Poles/Towers/Fixtures</b>	1,391.03		1,391.03
4330	Revenue	Other revenue	<b>506520 Consumption - OH Conductors and Devices</b>	2,329.37		2,329.37
4330	Revenue	Other revenue	<b>506525 Consumption - UG Conductors and Devices</b>	459.25		459.25
4330	Revenue	Other revenue	<b>506530 Consumption - UG Conductors</b>	57.60		57.60
4330	Revenue	Other revenue	<b>506560 Consumption - UG Transformers</b>			-
4330	Revenue	Other revenue	<b>506580 Consumption - Wire OH</b>	363.42		363.42
4330	Revenue	Other revenue	<b>506590 Consumption - Wire UG</b>	981.06		981.06
4355	Revenue	Other revenue	435500 Gain on Disposition of Utility and Other Property			-
4360	Revenue	Other revenue	<b>436010 Loss on Disposition IFRS</b>	45,079.47		45,079.47
4360	Revenue	Other revenue	436000 Loss on Disposition of Utility and Other Property			-
4375	Revenue	Other revenue	437500 Revenues from Non-Utility Operations	(33,207.26)		(33,207.26)
4380	Revenue	Other revenue	438000 Expenses of Non-Utility Operations			-
4390	Revenue	Other revenue	439000 Miscellaneous Non-Operating Income	(4,251.92)		(4,251.92)
4405	Revenue	Other revenue	440500 Interest and Dividend Income	(16,579.03)		(16,579.03)
4405	Revenue	Other revenue	440510 Interest Regulatory Assets	32,818.60	(104,226.00)	(71,407.40)
4080	Revenue	Distribution revenue	<b>408021 - Smart Meter DR - Residential</b>	(30,299.35)	31,842.24	1,542.89
4080	Revenue	Distribution revenue	<b>408022 - Smart Meter DR - GS&lt;50</b>	(41,092.54)	43,185.03	2,092.49

4080	Revenue	Distribution revenue	<b>408023 - Smart Meter DR - GS&gt;50</b>	(3,123.14)	3,282.21	159.07	<b>(348,256)</b>
			<b>400000 - Gain/(Loss) on Interest Rate SWAP</b>	(472,258.00)		(472,258.00)	<b>(472,258)</b>
4705	Expense	Electricity, market related expense	470500 Power Purchased	27,164,005.06		27,164,005.06	
4705	Expense	Electricity, market related expense	470510 Fixed Energy Rate Settlement Amount Code 140	(259,868.81)		(259,868.81)	
4705	Expense	Electricity, market related expense	470515 Power Purchased - Global Adjustment	11,197,883.10		11,197,883.10	
4708	Expense	Electricity, market related expense	470800 Charges-WMS	2,428,810.93		2,428,810.93	
4714	Expense	Electricity, market related expense	471400 Charges-NW	2,606,397.99		2,606,397.99	
4716	Expense	Electricity, market related expense	471600 Charges-CN	950,594.79		950,594.79	
4750	Expense	Electricity, market related expense	475000 Charges - LV	644,641.40		644,641.40	
4751	Expense	Electricity, market related expense	<b>475100 Charges - SME</b>	142,587.92		142,587.92	<b>44,875,052</b>
5020	Expense	Distribution, operation and maintenance	715020 Setl OH Dis Li&Feed-	36,495.87		36,495.87	
5035	Expense	Distribution, operation and maintenance	<b>715035 Settlement - OH Distribution Transformers</b>	449.31		449.31	
5040	Expense	Distribution, operation and maintenance	715040 Settlement UG Distribution Lines and Feeders	202,297.56		202,297.56	
5065	Expense	Distribution, operation and maintenance	506500 Meter Expense	130.50		130.50	
5065	Expense	Distribution, operation and maintenance	715065 Settlement Meter Expense	130,999.26		130,999.26	
5085	Expense	Distribution, operation and maintenance	508500 Miscellaneous Distribution Expense			-	
5085	Expense	Distribution, operation and maintenance	715085 Settlement Misc Distribution Expense	10,798.85		10,798.85	
5110	Expense	Distribution, operation and maintenance		13,763.04		13,763.04	



5114	Expense	Distribution, operation and maintenance	715114 Settlement Mtce of Distribution Stations	319,487.74		319,487.74
5120	Expense	Distribution, operation and maintenance	512000 Maintenance of Poles, Towers and Fixtures			-
5120	Expense	Distribution, operation and maintenance	715120 Settlement Mtce of Poles, Towers and Fixtures	214,410.24		214,410.24
5125	Expense	Distribution, operation and maintenance	715125 Settlement Mtce of OH Conductors and Devices	288,160.06		288,160.06
5130	Expense	Distribution, operation and maintenance	715130 Settlement Mtce of OH Services	118,514.82		118,514.82
5135	Expense	Distribution, operation and maintenance	715135 Settlement OH Distribution Lines and Feeders	270,430.84		270,430.84
5145	Expense	Distribution, operation and maintenance	715145 Settlement Mtce of UG Conduit	61,505.01		61,505.01
5150	Expense	Distribution, operation and maintenance	<b>715150 Settlement Mtce of Underground Conductors and Devices</b>	2,006.95		2,006.95
5155	Expense	Distribution, operation and maintenance	715155 Settlement Mtce of UG Services	173,849.74		173,849.74
5160	Expense	Distribution, operation and maintenance	<b>516000 Maintenance of Line Transformers O/H</b>	551.25		551.25
5160	Expense	Distribution, operation and maintenance	715160 Settlement Mtce of Line Transformers	171,836.91		171,836.91
5170	Expense	Distribution, operation and maintenance	715170 Settlement Mtce of Sentinel Lights	(2,669.94)		(2,669.94)
5175	Expense	Distribution, operation and maintenance	<b>715175 Settlement Maintenance of Meters</b>	10,110.92		10,110.92
5175	Expense	Distribution, operation and maintenance	<b>517500 Maintenance of Meters</b>	58,831.38	(58,639.38)	192.00
5175	Expense	Distribution, operation and maintenance	517510 Maintenance of Meters - Wholesale	51,940.50		51,940.50
5705	Expense	Amortization	<b>570550 Truck Amortization Exp -IFRS</b>	104,557.96		104,557.96
						<b>2,179,819</b>
5705	Expense	Amortization	570500 Amortization Expense # Distribution Stations			-
5705	Expense	Amortization	570501 Amortization Expense # Bldgs & Equipment			-

5705	Expense	Amortization	<b>570540 Amortization Exp. IFRS</b>	1,407,391.86		1,407,391.86	
5725	Expense	Amortization	572500 Miscellaneous Amortization	758,531.77	(758,531.77)	-	<b>1,407,392</b>
5310	Expense	Billing and collecting	531000 Meter Reading Expense	265,120.93	(193,817.41)	71,303.52	
5310	Expense	Billing and collecting	715310 Settlement Meter Reading Expense	150,245.89		150,245.89	
5315	Expense	Billing and collecting	531500 Customer Billing	5.97		5.97	
5315	Expense	Billing and collecting	715315 Settlement Customer Billing	342,133.92		342,133.92	
5315	Expense	Billing and collecting	531510 Non STR Services Expense	12,372.48		12,372.48	
5315	Expense	Billing and collecting	531560 STR Services Expense	450.75		450.75	
5320	Expense	Billing and collecting	<b>532000 Collecting</b>	6.33		6.33	
5320	Expense	Billing and collecting	715320 Settlement Collecting	364,327.37		364,327.37	
5330	Expense	Billing and collecting	<b>533000 Collection Charges</b>	36,726.64		36,726.64	
5335	Expense	Billing and collecting	533500 Bad Debt Expense	80,821.79		80,821.79	
5340	Expense	Billing and collecting	<b>534000 Miscellaneous Customer Accounts Expenses</b>	35.00		35.00	
5340	Expense	Billing and collecting	715340 Setl Misc Cust Accts			-	
5415	Expense	Billing and collecting	541500 Energy Conservation	(69,507.29)		(69,507.29)	
5415	Expense	Billing and collecting	715415 Setl Energy Conserva	69,507.29		69,507.29	<b>1,058,430</b>
5410	Expense	Community relations and donations	541000 Community Relations - Sundry	11,490.13		11,490.13	
5420	Expense	Community relations and donations	<b>542000 Community Safety Program</b>	50.00		50.00	
5420	Expense	Community relations and donations	715420 Settlement Community Safety	443.20		443.20	
5425	Expense	Community relations and donations	542500 Miscellaneous Customer Service and Informational E			-	
6205	Expense	Community relations and donations	620500 Donations	22,162.25		22,162.25	<b>34,146</b>
5105	Expense	Administration	566500 Miscellaneous General Expenses	65,951.97		65,951.97	

5605	Expense	Administration	715605 Settlement Exec Salaries and Expenses	691,205.58	691,205.58	
5610	Expense	Administration	561000 Management Salaries and Expenses	-	-	
5610	Expense	Administration	715610 Settlement Management Salaries and Expenses	343,145.61	343,145.61	
5615	Expense	Administration	561500 General Administrative Salaries and Expenses	(25,760.70)	(25,760.70)	
5615	Expense	Administration	715615 Settlement General Admin Salaries	334,694.99	334,694.99	
5615	Expense	Administration	561510 General Administraion Meal & Entertainment	2,873.55	2,873.55	
5620	Expense	Administration	562000 Office Supplies and Expenses	60,079.10	60,079.10	
5620	Expense	Administration	562010 Computer Maintenance Software	257,065.24	257,065.24	
5620	Expense	Administration	562020 Computer Maintenance Hardware	46,676.78	46,676.78	
5620	Expense	Administration	562050 Communication Expense	72,702.45	72,702.45	
5630	Expense	Administration	563000 Outside Services Employed - Accountant	45,475.00	45,475.00	
5665	Expense	Administration	500000 Expenses - Fixed Cost		-	
5305	Expense	Administration	530500 Supervision		-	
5630	Expense	Administration	563010 Outside Services Employed - Legal	20,281.73	20,281.73	
5630	Expense	Administration	563020 Outside Services Employed - Consultants	62,932.04	62,932.04	
5635	Expense	Administration	563500 Insurance - Property/Liability	99,104.26	99,104.26	
5635	Expense	Administration	715635 Settlement Property Insurance	500.00	500.00	
5640	Expense	Administration	564000 Injuries and Damages	-	-	
5655	Expense	Administration	565500 Regulatory Expenses	102,454.05	102,454.05	
5660	Expense	Administration	566000 General Advertising Expenses	8,293.93	8,293.93	<b>2,187,676</b>
6005	Expense	Interest on long term debt	600500 Interest on Long Term Debt	374,455.05	374,455.05	
			* includes the unrealized gain of \$285,673 on the interest rate swaps.	472,258.00	472,258.00	<b>846,713</b>
6105	Expense	Municipal taxes	610500 Taxes Other Than Income Taxes	36,452.70	36,452.70	<b>36,453</b>

6035	Expense	Other interest	603500 Other Interest Expense	52,209.30	52,209.30	
6035	Expense	Other interest	603501 Security Deposit Interest Expense	1,251.71	1,251.71	
6215	Expense	Other interest	621500 Penalties	-	-	<b>53,461</b>
5675	Expense	Repairs and maintenance of general plant	567500 Maintenance of General Plant - Office and Service	7,930.39	7,930.39	
5675	Expense	Repairs and maintenance of general plant	715675 Settlement Mtce of General Plant	103,497.92	103,497.92	<b>111,428</b>
6110	Expense	Income tax - current	611000 Corporate Taxes	146,000.00	146,000.00	<b>146,000</b>
6115	Expense	Income tax - future	611500 Future Income Tax	123,000.00	123,000.00	<b>123,000</b>
Balance Check				<b>(2,235,859)</b>	-	<b>(2,235,859)</b>
Balance per Audited Statements				<b>(2,235,859)</b>		<b>(2,235,859)</b>
Difference				<b>(0)</b>		<b>(0)</b>

1

## **Appendix F – Community (Annual) Report**

2



**Westario Power Inc.**

**2016  
Community  
Report**

**The  
Bridges  
Edition**





## **INDIVIDUALLY RESPONSIBLE**

### **Mission Statement**

Westario Power Inc. is an energy distribution corporation committed to providing quality, customer focused services in a safe, reliable, cost effective manner.

We will foster sustainable growth while respecting the environment and the communities we serve.

### **Vision Statement**

We are dedicated to creating superior value for our customers and shareholders, and a safe, rewarding work environment for our employees.

We will grow our business through innovation and creative leadership, based on sound fiscal management and business practices.

## **CORPORATELY ACCOUNTABLE**



# Table of Contents

- ◆ Mission & Vision Statements
- ◆ Message from the Board of Directors
- ◆ Message from the Management Team
- ◆ Leadership Team
- ◆ Board of Directors
- ◆ Summary Business Plan
- ◆ Operational Highlights
- ◆ Engineering Excellence
- ◆ Mobile Substation
- ◆ Customer Service
- ◆ Conservation and Demand
- ◆ Community Engagement and Donations
- ◆ Financial Statements

*A very special thank you  
to Paul McGinn  
for his photographic artistry.*



## Message from the Board of Directors

On behalf of the Board of Directors of Westario Power Inc. we share that our 16th year of operation is completed. We continue to be pleased that our financial performance remains solid.

Another clean audit for 2016 showed net earnings of \$1.9 million on sales of approximately \$70 million. As a result 2016 was the fourteenth consecutive year of dividends paid out to the company's shareholders.

Following our theme of outstanding reliability and protecting the integrity of our assets, the Board of Directors once again approved continued investment in the distribution system to the extent of \$5.8 million in new additions and upgrades to the distribution system.

In this age of electricity provision in Ontario, the role of companies like Westario Power, once a public utility, now a private company; once regulated, now once again regulated; is not always clear. The industry is continuously evolving as new and changing regulations and circumstances continue to demand quick response from the LDC's. You can be assured that we are continuously reviewing all options to ensure your LDC is ideally placed in the market to enable us to remain competitive, relevant and of maximum value to you our shareholders.

The Board well realizes that achieving and maintaining high standards takes the efforts of many people. It is done seamlessly and invisibly for our customers by a dedicated and professional management team and staff.

Safety must be at the forefront of our corporate culture; we place a very high value in the safety and wellbeing of one of our most important assets – our staff. Westario Power is committed to continuously maintaining a superior level of health and safety for our staff and the public at large.

We remain optimistic, that 2017 will continue to provide value to our shareholders and a high level of customer reliability and satisfaction to our customers.







## **Message from the Management Team**

At Westario Power, we strive to provide quality, customer focused services in a safe, reliable, and cost effective manner which results in superior value for our customers and shareholders. In order to accomplish our mission we must continuously adapt to rapidly evolving regulations, provincial initiatives that are to be delivered by Local Distribution Companies (LDCs), the increased customer focus on rates and service quality, and managing the delicate balance of customer expectations, shareholder needs and public policy. Westario Power and more importantly, its staff, have met these challenges head-on with enthusiasm, adaptability and commitment.

Westario Power is very proud of its ability to demonstrate sound fiscal management and provide quality service at the same time.

The impact of the Green Energy Act continues to support a culture of renewable and sustainable energy, and conservation that will continue to have a significant impact on the expectations of LDC's and the relationship that we share with our customers. Westario Power was pleased to deliver a number of conservation programs to low income, residential, commercial and industrial customers to assist in reducing their energy costs while at the same time meeting their energy needs.

Westario and its staff is pleased to give back to the communities it serves, providing donations and support to the Walkerton District Hospital Foundation, Sick Kids Foundation, Walkerton Buskers Festival, the Royal Canadian Legions, and a number of local Kinsmen and Rotary Club initiatives.

With the success and accomplishments of 2016 behind us, it is important that our business continues to evolve in 2017 and beyond. Westario continues to focus its investments on capital projects and technology to optimize performance and improve the reliability of the distribution system. With emphasis on conservation and the increasing cost of the product we deliver, it is imperative that we look at new technologies, business opportunities and an innovative approach in order to meet the ongoing needs and requirements of our customers, shareholders and stakeholders.

The success of Westario Power cannot be accomplished without the hard work and dedication of its staff. Thank you to the Board of Directors and staff for their tireless efforts in meeting the needs of our customers and providing superior value to our shareholders.



# Leadership Is And Action Not A Position



**Derek Rinn**  
*Vice President  
of Operations*



**Tracey Vanness**  
*Board  
Secretary, EA, HR*



**Matthew McMurdie**  
*Vice President  
of Finance & CFO*



**Bill Lorentz**  
*Manager of  
Customer Service*



**Sheraz Mustafa**  
*Planning & Design  
Coordinator*



**Carl Clarke**  
*Line Superintendent*





# 2016 Westario Power Inc. Board of Directors

The Board of Directors provides oversight and experienced counsel to Westario Power Inc. Each member is committed to the highest standards of excellence, community and business ethics.



Mark Kraemer, Chair  
Town of Saugeen Shores



Glen King, Audit Committee Chair  
Fortis Ontario Inc.



George Bridge, Vice Chair  
Town of Minto



David Inglis  
Municipality of Brockton



William Goetz  
Municipality of South Bruce



Mitch Twolan  
Township of Huron Kinloss



Randy Hughes  
Municipality of Kincardine



Peter Hamblly  
Town of Hanover



Bart Cameron  
Township of North Huron



# **Delivering Value Today and for the Future**

## **Summary Business Plan**

The pace of change in Ontario's electricity industry continues on a sometimes rocky, but rather steady course. Energy policy in Ontario has undergone considerable change in recent years and it is expected to see significant changes in the near future.

Cost containment and efficiency gains will be essential to the sustainability of the electricity industry and individual Local Distribution Companies (LDCs). Mergers and acquisitions within the industry have been limited. A strong signal has been sent by the Liberal government through legislation providing tax relief to LDCs with less than 30,000 customers in an effort to spur further consolidation and rationalization in the industry.

In August 2015, the Ontario Energy Board ('Board') released its 2015-2018 Business Plan Update, which outlines its vision for the energy sector over the next number of years. The Board's mandate is to oversee the Province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework. That mandate is determined by the provincial government and is embodied in legislation, regulation and directives.

The Board's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.

Some initiatives identified in the OEB's Business Plan that are most specific to our business include but are not limited to the following:

- Empowering customers through customer outreach, consumer representation in decision making, consumer protection (Energy Consumer Protection Act) and the development of the Ontario Energy Support Program;
- Enhancing Utility performance by undertaking a review on policy that will enhance Electricity Sector Restructuring, a review of rate setting policies to support infrastructure planning and investment decisions, and to establish effective reporting frameworks and auditing mechanisms to enhance performance monitoring;
- Enabling access to competitive energy choices through smarter electricity delivery rates and smarter electricity prices;
- Improving regulatory effectiveness through the implementation of a formalized stakeholder engagement framework, improving the efficiency and effectiveness of the adjudicative process and policy evaluation to ensure ongoing effectiveness of regulatory policies and programs.

Given the scope of the Board's initiatives listed above, Westario Power needs to ensure that its goals and objectives align with that of its regulator to ensure longevity and sustainability, and provide superior value to all of its stakeholders.

With a view to the readiness for the future, in 2017 Westario Power will focus on five SMART goals:

**Safety, Growth, Organizational Development, Customer Satisfaction, Technology**



# Engineering Excellence

A large, rusted steel truss bridge spans a river. The bridge features a complex network of steel beams and trusses, with a wooden walkway on top. The sky is overcast, and the water is calm.

## SCADA

Supervisory Control And Data Acquisition; is an ongoing project which started late 2015. This SCADA system allows real-time monitoring capabilities, historical data trending, and remote control of station activities, all from a computer workstation at the Walkerton office. This will significantly increase our operational awareness and control, engineering analysis and planning capabilities, as well as managing outages and troubleshooting. In 2016 we were able to complete three SCADA installations and there are more installations planned in 2017.

## GIS

A Geographic Information System is a software tool that allows the storage and analysis of all Westario Power distribution system assets in a spatial, user-friendly visual interface. Implementation of ESRI GIS began in 2015 with a significant portion of the project being completed. The project completed in early 2016 and GIS is now in service at Westario Power.



## Operational Highlights

Emergency  
Call Outs

**7**

**129**  
New Service  
Installations

Transformers  
Inspected

**815**

**4,633**

Locates Completed

Poles  
Installed

**200**

**1,890**<sub>m</sub>  
UG Conductor Installed

**1,815**<sub>m</sub>  
OH Conductor Installed



## Operationally Reliable

Westario Power (WPI) operates a distribution system in the communities of Bruce, Grey, Huron and Wellington counties. The service area of WPI covers a large geographical area spanning approximately 60 kilometers east/west by 80 kilometers north/south. The distribution system consists of approximately 746 km of distribution lines and is uniquely located in the urban areas of the communities of Clifford, Elmwood, Hanover, Harriston, Kincardine, Lucknow, Mildmay, Neustadt, Palmerston, Port Elgin, Ripley, Southampton, Teeswater, Walkerton and Wingham. The distribution system network voltages, includes 2.4kV, 4.16kV, 8kV and 13.8kV for distribution and 44kV sub-transmission voltage supplied from Hydro One Transformer stations.

WPI has twenty-seven (27) municipal substations within its service territory. Five (5) communities within our distribution system are directly connected to Hydro One as there is no WPI owned distribution station. These communities are Clifford, Elmwood, Mildmay, Neustadt, and Ripley.

Westario Power had a fantastic year in 2016. Vegetation Management is an integral part of our operations due to the overall significance to the reliability of our network. In 2016 the program cycled through Southampton, Port Elgin and Walkerton. By trimming trees on a continuous cycle, Westario Power will eliminate or significantly reduce public hazards as well as outages due to inadvertent vegetation contacts.



## Conductor & Decrepit Poles

The replacement of #6 copper conductor was completed in Lucknow (Ross Street, Victoria Street and Wheeler Street) in 2016, thus removing a safety vulnerability and improving system reliability. This marks the completion of phase 8 of a 10 year project to systematically remove this hazard from our network.

Westario Power has conducted a Pole Audit as part of our capital investment program, which was completed in 2016. This Audit identified all poles in WPI's service area. In some cases the severity of the hazards is high and requires immediate action, in others less significant and can be addressed moving forward over the next few years. Westario Power has taken a managed approach to prioritize the engineer/design and replacement of this part of our plant. Identified projects are scored against a pre-established set of criteria in categories including reliability, public safety, worker safety and prudence of expense. A forecast of 150 poles per year was our commitment and we are proud to share that in 2016 we were able to design and replace 150 decrepit poles.



## Mobile Substation

The Mobile Substation was engineered and built in June 2016, distribution grid operators and electrical power producers work to ensure reliable power supplies to their customers and processes. Power demand has to be met at short notice without disruption despite tight construction time frames and potential eventualities or operation restrictions. Westario Power's mobile substation solutions ensures a safe and reliable grid connection to fit the most demanding environment. This will significantly improve our efforts to meet the demand of power restoration to our customers and support our long term substation rehabilitation.















## Customer Service Excellence

Westario Power is ultimately in the customer service business. In fact, the customer experience is the sole differentiator among providers in our industry. Westario Power must be conscious to utilize its market position to ensure, anticipate and deliver on the needs of our customers through building trust and service excellence. Westario Power continues to promote and provide the best in class practices as well as maximize resources and eliminate inefficiencies.

The call centre provides customer excellence by answering calls well above the industry targets, while the billing department works on an accuracy rate of 99.96% and continues to strive towards perfection.

In collaboration with the call centre and billing department our collections department exhausts every avenue to provide support, guidance and direction to our past-due customers in an effort to make payment arrangements.



# Equalized Payment Plan

We are focused on providing superior value to our customers. It is the role of Westario Power Inc. to ensure the safe, reliable delivery of electricity to the 23,000 customers we serve and the 746km of distribution lines and substations that work at a high level of efficiency.

In an effort to better serve our customers, Westario Power Inc. offers the option to join what is called an equal monthly payment plan.

## How it works:

- Your utility will add up your bills for the last 12 months and divide the total by 12 to get the average. That is the amount you will be billed each month
- You may also sign up to have your payments automatically withdrawn from your bank account
- You will be able to choose from at least two dates in a month to have your automatic payments withdrawn from your bank account
- Your utility will review your equal monthly payment plan at least once per calendar year to make sure you have not paid too much or too little. Based upon the review, the following rules apply:

If your utility owes you...

...less than your average monthly bill...

The amount will be credited to your account

...more than your average monthly bill

You have 10 days to ask for a refund cheque or the amount will be credited to your account

**If you owe your utility money for unpaid bills,** you may not be allowed to join an equal monthly billing plan.

If you owe your utility...

...less than your average monthly bill...

The amount will be collected in one lump sum payment

...more than your average monthly bill

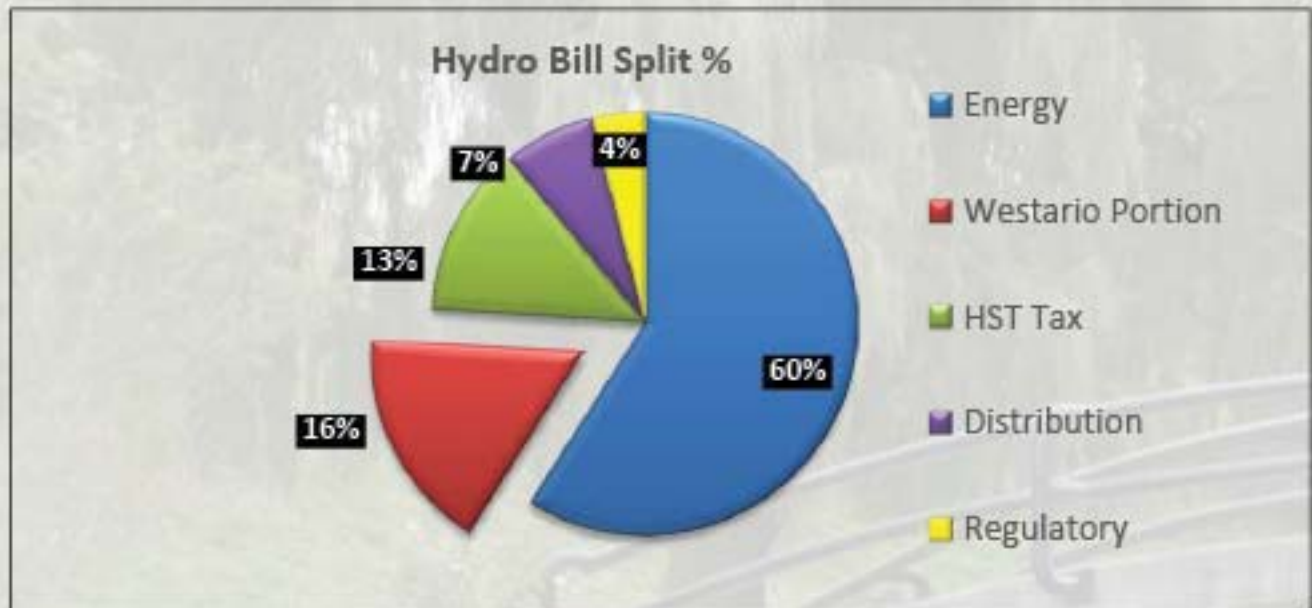
The amount will be collected over 11 months

**If you live in a condo or apartment that has its own individual meter and your bill comes from a company other than your utility, you are a customer of a "unit sub-metering provider".** Unit sub-meter providers do not have to offer equal billing to their customers.

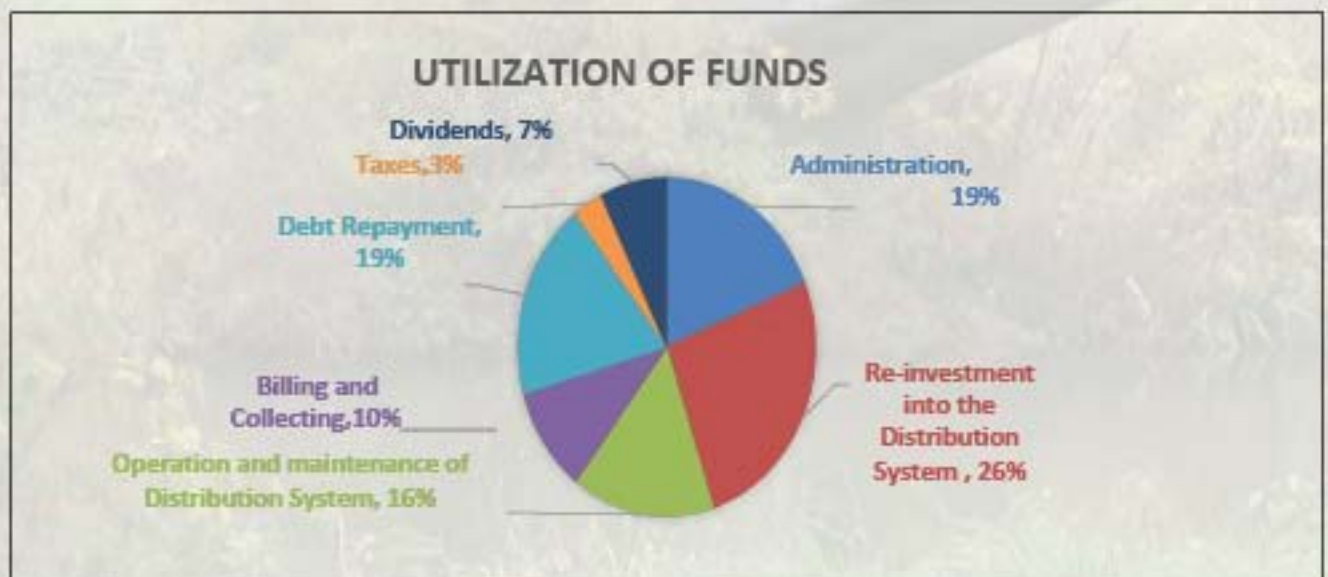


## Your hydro dollars explained...

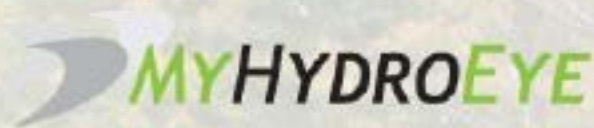
For an average household on time of use (TOU) pricing that consumes 800 kWh's per month, the portion that Westario retains represents only 16% of the total bill or \$26.55. Included in your bill are costs related to: the supply of power; transmitter costs that delivers the power to Westario; the regulation of the electricity grid and taxes.



## How does Westario utilize the 16%...



Westario Power Inc. through re-investment in the overall system provides a stable, reliable electricity grid bringing power to your home and business. Our shareholders, predominantly local municipalities receive a dividend that is then utilized to support that communities' particular needs whether through social programs, capital works or other programs.



**MyHydroEye** is a product and service specifically designed for LDCs and free to Westario Power Inc. customers. As the price of operating the average home increases a handy interactive tool is the **MyHydroEye** offered at no cost to all Westario Power Residential and GS under 50 KW customers.

Go to [www.westario.com](http://www.westario.com) and click on My Power Link – enroll with your Account Number and Activation Code which is located on your Westario Power invoice.

## **Take the opportunity to sign up for E-Bill...**

Westario Power offers electronic invoicing (e-Billing) as an environmentally friendly option.

Westario Power's Customer Service Portal provides you with anytime, anywhere access to your accounts.

### **Registration takes three easy steps:**

1. Agree to the terms and conditions
2. Enter your account information as it appears on your bill
3. Create a password for your account.

Go to [www.westario.com](http://www.westario.com) to sign up today





# Conservation & Demand Management

In conjunction with the Independent Electricity System Operator (IESO) Westario Power Inc. delivered a portfolio of Conservation and Demand Management (CDM) programs in 2016 under the Conservation First Framework (CFF).

The Commercial, Institutional, Residential and Industrial Programs include:

- Retrofit
- Unitary Heating & Air Conditioning
- High Performance New Construction
- Audit Funding
- Process & System Upgrade Initiative
- Social & Assisted Housing
- Home Assistance Program
- New Home Construction
- Residential Demand Response
- Heating and Cooling
- Home Energy Assessment Program
- Bi-Annual Event
- Coupon Program



# Program Highlights

**\$174,065**  
*in Incentives provided  
to our Applicants*

**203 Heating  
and Cooling  
Program Participants**  
**Savings of  
88,099 KWh**

**32,114**  
*Residential Coupon  
Participant Purchases*  
**Savings of  
514,734 KWh**

**27 Retrofit Applications  
with Incentives**  
**Savings of  
299,732 KWh**

**1 Energy Audit  
Application**  
**Savings of  
72,926 KWh**



## Community Engagement & Donations

In the pursuit to promote physical fitness and family together time, Parks and Recreation departments provided Westario Power with opportunities to sponsor free public skate/swim in our local communities. Westario Power is proud to have sponsored Ripley, Huron Kinloss, Saugeen Shores, North Huron, Southamptton, Lucknow, Walkerton, Port Elgin, Hanover, Kincardine, Teeswater.

Westario was also pleased to provide donations to the following;

- Town of Minto – Mayor's Charity Golf
- Walkerton Run 4 Health (Hospital Foundation)
- Bruce County Paramedic Services – Drug Safety Program
- Port Elgin Rotary
- Saugeen Valley Children's Safety Village
- Hanover Sights and Sounds
- Huron Kinloss – Minor Sports
- Buskers Festival – Walkerton
- County of Bruce – LEAP Partnership
- Brockton Santa Claus Parade









Touch A Truck



Summary Financial Statements of

**Westario Power Inc.**

For the year ended December 31, 2016





KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
Fax 519 672-5684

## **REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS**

To the Shareholders of Westario Power Inc.

The accompanying summary financial statements of Westario Power Inc., which comprise the summary statement of financial position as at December 31, 2016, the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the complete audited financial statements, prepared in accordance with International Financial Reporting Standards, of Westario Power Inc. as at and for the year ended December 31, 2016.

We expressed an unmodified audit opinion on those complete financial statements in our report dated April 12, 2017. Those complete financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the issuance of those complete financial statements and our auditors' report thereon.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the complete audited financial statements of Westario Power Inc. Reading the summary financial statements, therefore, is not a substitute for reading the complete audited financial statements of Westario Power Inc.

### *Management's Responsibility for the Summary Financial Statements*

Management is responsible for the preparation of the summary financial statements in accordance with the basis described in Note 1.

### *Auditors' Responsibility*


Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."



*Opinion*

In our opinion, the summary financial statements derived from the complete audited financial statements of Westario Power Inc. as at and for the year ended December 31, 2016 are a fair summary of those complete financial statements, in accordance with the basis described in Note 1.

*KPMG LLP*

A handwritten signature in black ink, consisting of a long, sweeping horizontal line that starts under the "K" and ends under the "P", with a small dot at the end.

Chartered Professional Accountants, Licensed Public Accountants

April 12, 2017

London, Canada



Westario Power Inc.

Summary Statement of Financial Position

December 31, 2016, with comparative information for 2015

		2016	2015
Assets	<i>Current assets</i>		
	Cash	\$ -	\$ 1,516,547
	Accounts receivable	4,849,174	5,192,753
	Unbilled revenue	6,458,953	6,317,802
	Other	972,580	241,134
		12,280,707	13,268,236
	<i>Non-current assets</i>		
	Property, plant and equipment	44,725,732	41,291,529
	Intangible assets	2,655,356	2,502,316
	Long-term assets	321,524	316,186
		47,702,612	44,110,031
	Regulatory balances	16,858,895	12,081,679
		\$ 76,842,214	\$ 69,459,946
Liabilities	<i>Current liabilities</i>		
	Bank indebtedness	\$ 491,269	\$ -
	Accounts payable and accrued liabilities	8,946,571	6,703,022
	Customer deposits	1,045,128	1,155,740
	Long-term debt due within one year	1,117,733	1,059,933
	Other liabilities	29,867	6,994
		11,630,568	8,925,689
	<i>Non-current liabilities</i>		
	Other long-term liabilities	3,385,506	1,633,965
	Deferred revenue	2,327,626	1,787,690
	Shareholder loans	5,260,460	5,260,460
	Long-term debt	10,468,863	13,222,944
		21,442,455	21,905,059
		33,073,023	30,830,748
Equity	Share capital	18,269,168	18,269,168
	Retained earnings and accumulated other comprehensive income	13,022,459	11,873,955
		31,291,627	30,143,123
	Regulatory balances	12,477,564	8,486,075
		\$ 76,842,214	\$ 69,459,946

**Westario Power Inc.**

**Summary Statement of Comprehensive Income and Changes in Equity**

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue	\$ 60,231,769	\$ 55,617,317
Distribution revenue	9,683,832	9,599,672
Other	543,824	670,703
	70,459,425	65,887,692
<i>Expenses:</i>		
Cost of power purchased	60,656,114	53,632,762
Employee salaries and benefits	3,015,876	2,893,993
Operating expenses	2,956,373	2,533,170
Depreciation and amortization	1,509,102	1,522,909
Finance costs, net of finance income	937,068	1,021,694
Unrealized (gain)/loss on interest rate swaps	(350,268)	174,330
	68,724,265	61,778,858
Income before income taxes	1,735,160	4,108,834
Income tax expense	578,000	573,000
Net income for the year	1,157,160	3,535,834
Net movement in regulatory balances, net of tax	783,727	(1,627,258)
Other comprehensive income	7,617	(6,456)
Total comprehensive income	1,948,504	1,902,120
Retained earnings and accumulated other comprehensive income, beginning of year	11,873,955	10,721,842
Dividends paid	(800,000)	(750,007)
Retained earnings and accumulated other comprehensive income, end of year	\$ 13,022,459	\$ 11,873,955

**Westario Power Inc.**

**Summary Statement of Cash Flows**

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by		
(used in):		
Operating activities	\$ 5,022,659	\$ 3,902,728
Financing activities	(1,368,665)	(1,755,203)
Investing activities	(5,170,541)	(4,636,243)
Decrease in cash	(1,516,547)	(2,488,718)
Cash, beginning of the year	1,516,547	4,005,265
Cash, end of the year	\$ -	\$ 1,516,547

**Westario Power Inc.**  
**Note to Summary Financial Statements**  
Year ended December 31, 2016

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**Note 1:**

These summary financial statements of Westario Power Inc. are derived from the complete audited financial statements as at and for the year ended December 31, 2016, prepared in accordance with IFRS, of Westario Power Inc. Those complete financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to issuance of those complete financial statements.

Management prepared these summary financial statements as follows:

- the summary financial statements include a statement for each statement included in the complete financial statements, except for the statement of changes in equity, for which information has been included in the summarized statements of comprehensive income;
- information in the summary financial statements agrees with the related information in the complete financial statements;
- major subtotals, totals and comparative information from the complete financial statements are included, except for the subtotal *Income from operating activities* on the complete financial statements statement of comprehensive income; and
- the summary financial statements contain the information from the complete financial statements dealing with matters having a pervasive or otherwise significant effect on the summarized financial statements.

The complete financial statements of Westario Power Inc. are available upon request by contacting Westario Power Inc.



## Strong & Sustainable

Westario Power Inc. has made dividend payments to our Shareholders for 14 consecutive years. Since the company's founding in November 2000, total cash funds provided to our Shareholders, represented by dividends (\$7.1 million) and interest payments (\$7.6 million) have reached over \$14.7 million.

The assets of the Corporation continued to grow to the amount of \$76.8 million as of December 31st, 2016.

Westario Power Inc. continues to deliver a strong and sustainable net income that is reflected in the dividends paid to our Shareholders.

**\$800,000**  
in Dividends Paid in 2016

**\$1.9 million**  
Westario Power's  
2016 Net Income

**6.2%** Annual Return on Equity

EBITDA  
**\$3.8 million**



# **Westario Power Inc.**

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Walkerton, Ontario N0G 2V0  
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Toll Free 1-866-978-2746  
Fax 519-507-6887  
[www.westario.com](http://www.westario.com)





1

**Appendix G – List of Requested Approvals**

1

Approval to charge distribution rates effective January 1, 2018 to recover a service revenue requirement of \$12,209,221. The schedule of proposed rates is set out in Exhibit 8.

Approval of the Distribution System Plan as outlined in Exhibit 2 Section 2.5.2

Approval of a revised Microfit monthly service charge as outlined in Exhibit 3 and 8.

Approval to adjust the Retail Transmission Rates – Network and Connection as detailed in Exhibit 8.

Approval of the proposed loss factors as detailed in Exhibit 8.

Approval of new or continued Wholesale Market and Rural Rate Protection Charges approved in the Board Decision and Order in the matter of WPI 2017 Distribution Rates (EB-2016-0113).

Approval to continue the Specific Service Charges, Retail Service Charges, and Transformer Allowance approved in the Board Decision and Order in the matter of WPI's 2017 Distribution Rates (EB-2016-0062).

Approval of the rate riders for a one year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.

1

## **Appendix H – 2016 Scorecard**

2

3



Scorecard - Westario Power Inc.											9/24/2017	
											Target	
Performance Outcomes	Performance Categories	Measures		2012	2013	2014	2015	2016	Trend	Industry	Distributor	
Customer Focus  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		92.00%	91.00%	100.00%	95.40%	92.10%	⬆️	90.00%		
		Scheduled Appointments Met On Time		98.30%	97.10%	100.00%	100.00%	100.00%	⬆️	90.00%		
		Telephone Calls Answered On Time		96.00%	75.10%	79.60%	86.60%	82.90%	⬇️	65.00%		
	Customer Satisfaction	First Contact Resolution				81.5%	99%	98.86%				
		Billing Accuracy				99.76%	99.86%	99.96%	⬆️	98.00%		
		Customer Satisfaction Survey Results			Generally Satisfied	74%	88%	88%				
Operational Effectiveness  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness					86.00%	86.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>		C	C	C	C	NI	➡️		C	
		Serious Electrical Incident Index	Number of General Public Incidents	1	0	1	0	0	➡️		0	
			Rate per 10, 100, 1000 km of line	0.194	0.000	0.194	0.000	0.000	➡️		0.054	
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>		0.83	2.64	4.76	0.83	2.41	⬆️		2.16	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>		0.34	0.65	1.20	0.34	0.63	⬇️		2.37	
	Asset Management	Distribution System Plan Implementation Progress				In Progress	In process	In process				
	Cost Control	Efficiency Assessment		3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>		\$508	\$550	\$540	\$550	\$578				
		Total Cost per Km of Line <sup>3</sup>		\$22,269	\$24,220	\$23,829	\$24,190	\$25,258				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings <sup>4</sup>					18.61%	37.55%			23.01 GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time		0.00%	0.00%	80.00%	100.00%					
		New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%	➡️	90.00%			
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.33	1.37	1.54	1.57	1.12				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.61	0.64	0.70	0.65	0.61				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.01%	8.98%	8.98%	8.98%	8.98%				
			Achieved	7.83%	8.50%	11.90%	8.02%	6.66%				
									Legend: 5-year trend ⬆️ up ⬇️ down ➡️ flat Current year 🟢 target met 🟡 target not met			
1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC). 2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability. 3. A benchmarking analysis determines the total cost figures from the distributor's reported information. 4. The CDM measure is based on the new 2015-2020 Conservation First Framework.												

## 2016 Scorecard Management Discussion and Analysis (“2016 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2016 Scorecard MD&A:

<http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf>

### Scorecard MD&A - General Overview

In 2016, Westario Power Inc. (“WPI” or “Westario Power”) exceeded all performance targets with two exceptions being the “Average Number of Hours that Power to a Customer is Interrupted” and “Level of Compliance with Ontario Regulation 22/04”.

WPI had an excellent year from a performance standpoint. The company met or exceeded the performance measures set by the Ontario Energy Board (OEB). The company declined slightly from its 2015 service quality but remained above all industry targets. Customer Satisfaction remained above the industry standard and was consistent with WPI’s 2015 results.

As evidenced by service quality, customer satisfaction, and system reliability measures, WPI continued to provide excellent customer service to its customers with a very high level of reliability in 2016. The financial measures show that WPI continues to be a stable and financially strong distribution company in Ontario.

In 2017, WPI is committed to exceeding the OEB-set performance measures and is committed to improving on the measures in previous years. The performance improvements expected are due to WPI’s unwavering focus on making the necessary investments that will permit its employees to operate the distribution company with a high level of reliability and by responding to excellent customer feedback on the types of improvements that they expect from the company.

### Service Quality

- **New Residential/Small Business Services Connected on Time**

WPI must connect new service for the customer within five business days, 90% of the time, unless the customer agrees to a later date. This timeline depends on the customer meeting specific requirements ahead of time (such as no electrical safety concerns in the building, customer’s payment information complete, etc.)

Over the 2012 to 2016 period, Westario Power connected, on average, over 94% of new Residential and Small Business customers on time.

This is above the industry standard of 90% for all Local Distribution Companies (“LDCs”) in Ontario. Westario Power was able to achieve this excellent result due to efficient connection procedures and a focus on providing excellent customer connection service.

- **Scheduled Appointments Met On Time**

For appointments during a utility’s regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 % of the time.

For 2014 to 2016, Westario Power’s experience with meeting the Scheduled Appointments Met on Time metric has been a perfect 100%, exceeding the industry target of 90%. Westario Power’s process for completing appointments during the utility’s regular business hours and offering a window of time that is not more than four hours long is condition that Westario Power strives to meet. In 2017, WPI aims to continue meeting all appointments on time.

- **Telephone Calls Answered On Time**

During regular call centre hours, the utility’s call centre staff must answer phone calls within 30 seconds of receiving the call directly or having the call transferred to them, 65% of the time.

Westario Power believes that providing a better customer experience will help foster customer loyalty and advocacy. Customer loyalty is built through great customer experiences that exceed expectations, and Westario Power believes that enhancing WPI’s customer experience will help to ensure that customers perceive Westario Power’s service offerings as high value added items. For the Telephone Calls Answered within 30 Seconds metric, Westario Power maintained high percentages for qualified incoming calls during regular call centre hours at 82.9% for calls received directly or of having the call transferred. This greatly exceeds the OEB target for timely call response of 65%.

For 2017, WPI has revamped its website to provide a more user-friendly format to enhance its customer’s experience.

Westario Power continues to utilize self-serve web tools like MyHydroEye, e-billing, on-line applications and forms as well as department specific email addresses to make it easier for customers to engage with WPI staff. In addition, WPI has embraced the use of social media outlets Facebook and Twitter to continue its focus on educating and informing its customer base.

## Customer Satisfaction

- **First Contact Resolution**

Westario Power aims to address their customers' needs as quickly as possible. Ideally, their concerns and issues can be resolved the first time the customer contacts WPI. Westario Power must report on its success at meeting a customer's needs the first time WPI is contacted. First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Westario Power tracks First Contact Resolution in its Customer Information System (CIS) tracking First Contact Resolution by using contact logs within the CIS.

Westario has measured First Contact Resolution based on the outcome of the initial contact via telephone. No further action was required on 99% of initial contact made by customers, staying consistent with 2015 results. Westario Power continues to review its processes and find ways to further enhance the customer experience.

- **Billing Accuracy**

An important part of business is ensuring that customer's bills are accurate. Westario Power must report on its success at issuing accurate bills to its customers.

Westario Power initiated the tracking and measuring of Billing Accuracy in 2014 using contact logs and computer generated reports.

Westario Power was able to support a billing accuracy metric of 99.96% for 2016 as a result of the efforts of billing staff and through continuous improvements of the billing process.

- **Customer Satisfaction Survey Results**

Westario Power uses different ways to determine how satisfied their customers are with the service they receive. WPI must report the results of whatever customer satisfaction surveys it uses.

Westario retained the services of an independent third party to conduct a bi-annual Customer Engagement Survey via telephone. The primary objective is to provide a quantitative measurement of customer perceptions and attitudes. Specifically, the study sought to determine overall satisfaction with the quality of service provided by Westario Power, determine overall satisfaction with the reliability of the service provided, assess customers' satisfaction with the quality of customer service, assess customers' perceptions of operating and capital expenditures; and provide customer feedback on areas of improvement.

Westario Power's 2015/2016 Customer Satisfaction Study showed a significant increase to 88% overall satisfaction compared to the previous bi-annual survey. Westario Power's overall quality of service at 88% is on par with the provincial average. Westario continues to train staff in providing the highest levels of professionalism and service to translate into a more positive customer experience.

## Safety

- **Public Safety**
  - **Component A – Public Awareness of Electrical Safety**

The equipment used to run an electricity system is extremely dangerous. Because equipment such as power lines and poles can be located in public areas, the utility must take steps to prevent electrical accidents or incidents involving the public. One way is to provide information about safety risks and precautions to take when near this equipment.

The Public Awareness of Electrical Safety Survey involves a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment in Westario Power's service area. It measures the level of effort placed by distributors on preventing electrical accidents and provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. This is the first year for providing province-wide standardized reporting on this measure. Westario will carry out a survey every two years that measures the effort made to raise the public's awareness about these risks.

Westario Power surveyed 401 members of the general public, 18 years of age or older in the spring of 2016.

The following six core measurement questions asked corresponds to the six most frequent incidents involving utility equipment in Ontario over the last decade:

- Likelihood to "call before you dig."
- Impact of touching a power line
- Proximity of an overhead power line
- Danger of tampering with electrical equipment
- Proximity to downed power line
- Actions taken in vehicle in contact with wires

This first year of surveying the public in Westario Power's service territory about electrical safety indicates that many people have good knowledge or have received some information pertaining to the six core measurement questions. Westario Power's Public Safety

Awareness Index score is 86%.

- **Component B – Compliance with Ontario Regulation 22/04**

Ontario Regulation 22/04 – Electrical Distribution Safety sets out safety standards that utilities must follow in their operations – for example, making sure proper procedures are in place to prevent accidents or incidents, keeping the system in safe working condition, etc.

Westario Power must demonstrate how well it met the standards by providing declarations, audit results, inspection reports and other documentation. For 2016, WPI received a “Needs Improvement” on compliance with Ontario Regulation 22/04. This rating was realized due to three components of the regulation needing improvement. These areas were; submitting modified CVP to the ESA for approval, Inconsistency in completing C3 of trouble reports and having idle poles for removal and transfer of third party attachments. For 2017, WPI will strive to improve these areas of reporting in order to move into compliance with Regulation 22/04.

- **Component C – Serious Electrical Incident Index**

Westario Power must report on any serious electrical incidents involving its equipment and the general public. A ‘serious electrical incident’ is defined as:

- a. any electrical contact that caused death or critical injury to a person;
- b. any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused, or had the potential to cause, death or critical injury to a person;
- c. any fire or explosion in any part of a distribution system operating at or above 750 volts that caused, or had the potential to cause, death or critical injury to a person, except a fire or explosion caused by lightning strike.

For the scorecard, WPI reports both the number of incidents and how often they happen for every 10, 100 or 1,000 kilometers of line WPI operates. This reflects the different sizes of WPI’s service areas.

Westario did not have any serious electrical incidents in 2015 and 2016. The incidents in each of 2012 and 2014 were incidents involving members of the public not adhering to the respective electricity safety codes when in proximity to Westario Power’s distribution system. Westario endeavors to provide safety information and outlining the dangers that all customer need to be aware of prior to working around power lines and equipment. This includes calling our office, obtaining locates prior to digging, and obtaining references to respective codes. All information is provided free of charge to members of the public and all other interested parties. Westario continues to strive to communicate on safety throughout out distribution system through various methods including safety orientations, on-line, and telephone.

## System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. Westario Power must track the average length of time, in hours, that its customers have experienced a power outage over the past year.

For 2016, WPI's average number of hours that power to a customer was interrupted increased to 2.41 hours moving WPI higher than its distributor target of 2.16 hours. This increase was largely attributed to loss of power/ loss of supply caused by being an embedded distributor to Hydro One, who lost power due to severe weather.

- **Average Number of Times that Power to a Customer is Interrupted**

Another important feature of a reliable distribution system is reducing the frequency of power outages. Westario Power must track the number of times its customers have experienced a power outage over the past year.

For 2016, WPI average number of times that power to a customer was interrupted increased to 0.63 times. This is significantly lower than its distributor target of 2.37 times. Most occurrences are attributed to loss of power/ loss of supply caused by being an embedded distributor to Hydro One, who lost power due to severe weather.

## Asset Management

- **Distribution System Plan Implementation Progress**

Westario Power's Distribution System Plan (DSP) has now been completed and is included as part of WPI's 2018 Cost of Service rate application filed in 2017. The DSP filed covered a 5 year plan for the years 2018-2022.



## Cost Control

- **Efficiency Assessment**

Westario Power must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive.

WPI's total costs are evaluated to produce a single efficiency ranking. These rankings are separated into five groups which are determined by the difference between each utility's actual and predicted costs. Utilities whose actual costs are lower than predicted are considered more efficient and will be assigned to Group 1 or Group 2. Utilities whose actual and predicted costs are similar will be assigned to Group 3. Utilities whose actual costs are higher than predicted will be assigned to Group 4 or Group 5.

For 2012 to 2016, WPI has been assigned to Group 3. Westario continues to strive to achieve greater efficiency through productivity improvements and cost control, without compromising safety and reliability of the distribution system.

- **Total Cost per Customer**

Total cost is a sum of all the costs incurred by Westario Power to provide service to its customers. This amount is then divided by the WPI's total number of customers to determine the Total Cost per Customer.

Westario achieved a Total Cost per Customer of \$578, an increase of \$28 (5.10%) from the previous year. Westario continues to monitor and manage its cost structure to balance the cost effectiveness while ensuring the reliability and safety of the distribution system.

- **Total Cost per km of Line**

Total cost is a sum of all the costs incurred by Westario Power to provide service to its customers. This amount is then divided by the number of kilometers of line WPI operates to determine the Total Cost per km of Line.

Westario achieved a Total Cost per km of Line of \$25,258, resulting in an increase of 4.42% over 2015. As noted above, Westario continues to monitor and manage its distribution system in a cost effective manner while also ensuring capital investments are undertaken in a manner to maximize both safety and reliability for its customers.

## Conservation & Demand Management

- **Net Cumulative Energy Savings**

Customers are encouraged to reduce the amount of power they use through conservation efforts.

Since the start of the Conservation First Framework in January 2015, Westario Power has achieved 37.55% of its Net 2015 to 2020 Energy Savings target of 23.01 GWh. WPI continues its efforts to instill a conservation culture through promotion and adoption of conservation and demand management programs.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Westario Power must complete a connection impact assessment for a renewable generator within a certain timeline, and must report to the Board on how well it met those timelines.

In 2016, there were no additional Feed-In Tariff (FIT) connections and therefore no connection impact assessments required.

- **New Micro-embedded Generation Facilities Connected On Time**

Westario Power must connect smaller generators, producing less than 10kW of power, within five business days 90% of the time, unless the customer agrees to a later date. These generators are known as “micro-embedded generation facilities.” The timeline depends on the customer meeting specific requirements ahead of time.

In 2016, there were no additional Micro Feed-In Tariff (Microfit) connections and therefore no connections required.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

A common way of measuring the financial health of a company is through financial ratios. The Current Ratio measures whether or not a company has enough resources (assets) to pay its debts (liabilities) over the next 12 months.

Westario's 2016 Current Ratio is a 1.12. This ratio is the lowest that it has been in the past 5 years, this decrease is the result of WPI investing its additional resources in capital projects. WPI does not foresee any issues resulting from this decreased ratio.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

Total Debt to Equity Ratio measures the degree to which a company is leveraging itself through its use of borrowed money.

Westario's 2016 Total Debt to Equity Ratio decreased to 0.61 over 2015's ratio of 0.65. This reduction reflects Westario's ability to operate and maintain a safe and reliable distribution system, as well as fund new capital projects without incurring additional combined debt.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Return on Equity is the rate of return that Westario Power is allowed to earn through its distribution rates, as approved by the Ontario Energy Board. The rate of return that the Ontario Energy Board had determined for 2016 was 8.98%.

- **Profitability: Regulatory Return on Equity – Achieved**

The Achieved Return on Equity shows Westario Power's actual Return on Equity earned in the year. Westario earned a Return on Equity of 6.66% in 2016, which is down from 8.02% in 2015. The achieved Return on Equity remained within the +/- 3% of the deemed regulatory Return on Equity. Westario has achieved an average return on equity of 8.58% over the last five years; reflecting stable earnings to support the operations and re-investment in the distribution assets, while maintaining a customer focused operation that is safe and reliable.

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

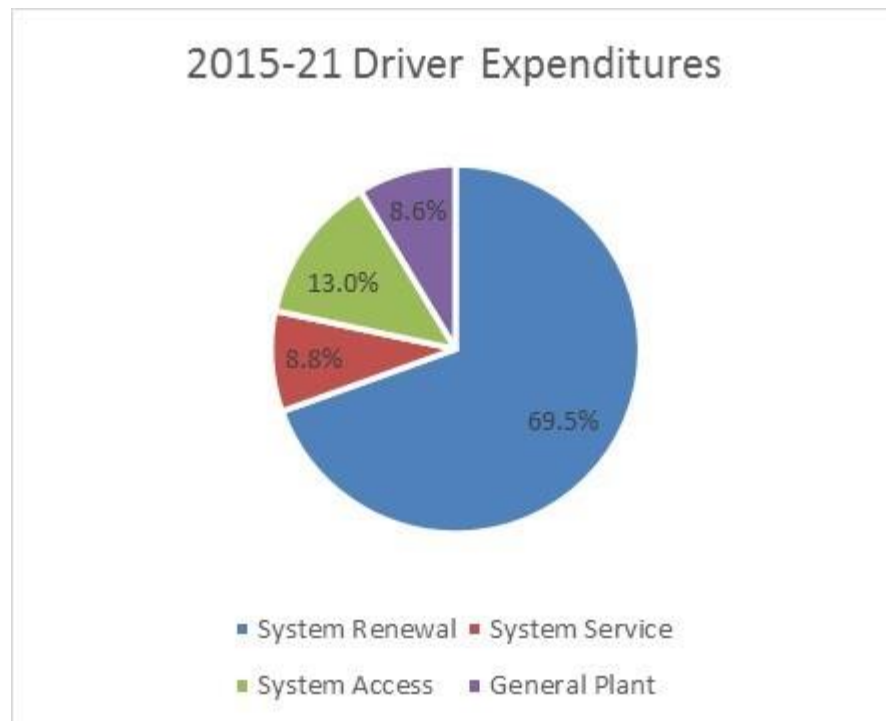
## Appendix I – Initial Customer Survey

1. Westario Power strives to make investments in the system that contribute to increased reliability while being aware of costs of distribution to the customer. How satisfied are you with the reliability of the system that delivers electricity to you.

☐ I would like to see service and reliability increased and I am willing pay more for this additional service

☐ I would like to see the current level of service and reliability maintained and keep bills consistent with where they are currently at

☐ I would like to see my utility bill decreased and I understand that this could lead to longer or more frequent outages



The above chart shows Westario Powers currently projected capital spending for 2015-2021.

-System renewal represents the cost of replacing aging and failing equipment to

improve system reliability.

-System service represents the cost of upgrading our electrical system to address anticipated future customer electricity requirements.

-System access represents the cost of expanding our distribution system to provide access to more customers.

-General plant represents the cost of buying and replacing the equipment required to complete our capital projects, provide system maintenance, and provide customer service.

Please indicate your preference for each area of spending

	<b>Increase proportionate spending</b>	<b>Maintain proportionate spending</b>	<b>Decrease proportionate spending</b>
<b>System Renewal</b>	<input type="radio"/> System Renewal Increase proportionate spending	<input type="radio"/> System Renewal Maintain proportionate spending	<input type="radio"/> System Renewal Decrease proportionate spending
<b>System Service</b>	<input type="radio"/> System Service Increase proportionate spending	<input type="radio"/> System Service Maintain proportionate spending	<input type="radio"/> System Service Decrease proportionate spending
<b>System Access</b>	<input type="radio"/> System Access Increase proportionate spending	<input type="radio"/> System Access Maintain proportionate spending	<input type="radio"/> System Access Decrease proportionate spending
<b>General Plant</b>	<input type="radio"/> General Plant Increase proportionate spending	<input type="radio"/> General Plant Maintain proportionate spending	<input type="radio"/> General Plant Decrease proportionate spending

3. How frequently would you like to receive updates on Westario Power's capital spending plan and provide feedback on the plan. w 0

☐ Quarterly

☐ Semi-annually

1 ☐ Annually

2 ☐ Never

3